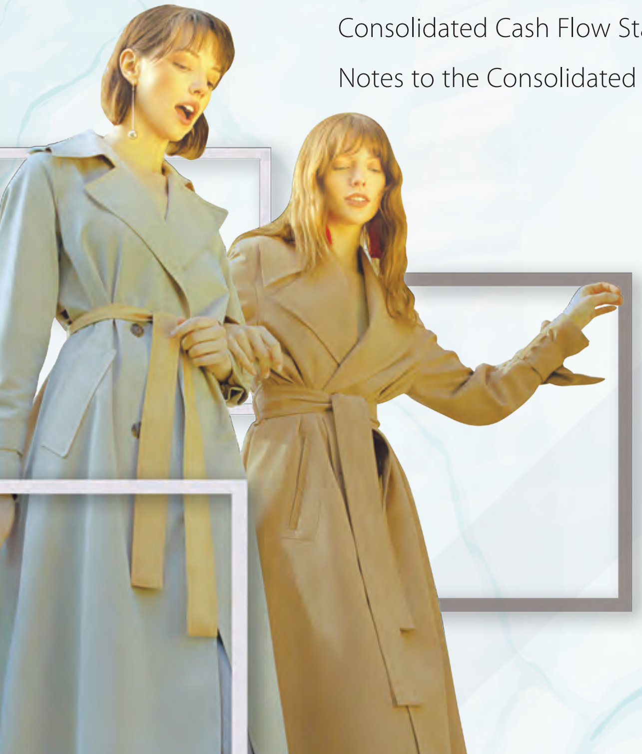
Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3709)

2018
ANNUAL REPORT

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 target 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 ladies-wear, we launched the "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. On 9 March 2017, the Group, through its 90%-owned subsidiary, 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 consist of self-operated retail stores, covering 31 cities of provinces, autonomous regions and municipalities in the PRC. As at 31 December 2018, there were 862 retail stores of which 641 were operated by us and 221 were operated by our distributors.

We have started to sell our products through the third party e-commerce platform Tmall since 2011 under which we operate a flagship store and now we are also an authorized merchant on other 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. YANG Weiqiang
Mr. DENG Shigang (resigned on 31 December 2018)

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. JIN Ming
Mr. LEUNG Ka Wai

AUDIT COMMITTEE

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

AUDITOR

Ernst & Young
Certified Public Accountants

REMUNERATION COMMITTEE

Mr. ZHOU Xiaoyu *(Chairman)*
Mr. ZHANG Guodong
Mr. JIN Ming (appointed on 31 December 2018)

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

REVENUE
RMB'000

GROSS PROFIT
RMB'000

NET PROFIT
RMB'000

* Year ended 31 December

EARNINGS PER SHARE - BASIC
RMB Cents

NET ASSETS
RMB'000

GEARING RATIO

* As at 31 December

	Year ended 31 December		
	2018 RMB'000	2017 RMB'000	Increase/ (Decrease) %
Revenue	**2,520,906**	2,203,726	14.39%
Gross profit	**1,802,960**	1,561,023	15.50%
Operating profit	**323,711**	306,561	5.59%
Net Profit	**272,314**	242,583	12.26%
Net cash flows from operating activities	**400,045**	149,578	167.45%
Earnings per share[1]			
– Basic (RMB cents)	**56**	52	
– Diluted (RMB cents)	**56**	51	
	(%)	(%)	(% points)
Profitability Ratio			
Gross margin	**71.52%**	70.84%	0.68%
Operating margin	**12.84%**	13.91%	(1.07%)
Net margin	**10.80%**	11.01%	(0.21%)

	At 31 December	
	2018 RMB'000	2017 RMB'000
Liquidity Ratio		
Current ratio[2] (times)	**3.03**	2.80
Trade receivables turnover days[3]	**44.37**	42.86
Trade payables turnover days[4]	**45.55**	34.17
Inventory turnover days[5]	**233.27**	225.48
Capital Ratio		
Gearing Ratio[6]	**7.92%**	14.28%
Interest coverage ratio[7] (times)	**40.61**	144.54

Key ratios:

1. Basic earnings per share = Profit attributable to equity shareholders of the Company/Weighted average number of ordinary shares (the weighted average number of shares in 2018 was 486,337,000 versus 490,957,099 in 2017)
2. Current ratio = Current assets/Current liabilities
3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/Revenue x 365 days
4. Trade payables turnover days = Average of opening and closing balances on trade payables/Cost of sales x 365 days
5. Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 365 days
6. Gearing ratio = Total bank and other borrowings/Total equity x 100%
7. Interest coverage ratio = Profit before interest and tax/Interest expenses

Financial Summary

(Financial figures are expressed in RMB'000)

	Year ended/as at 31 December				
	2018	2017	2016	2015	2014
Operating results					
Revenue	**2,520,906**	2,203,726	1,599,486	1,284,772	1,036,608
Profit from operations	**323,711**	306,561	297,005	268,218	181,424
Profit attributable to shareholders	**272,759**	253,517	233,692	204,045	128,450
Assets and liabilities					
Non-current assets	**281,761**	255,350	264,752	133,667	50,377
Current assets	**1,473,214**	1,349,537	1,072,766	956,544	839,985
Current liabilities	**485,887**	481,250	390,399	277,782	208,048
Net current assets	**987,327**	868,287	682,367	678,762	631,937
Total assets less current liabilities	**1,269,088**	1,123,637	947,119	812,429	682,314
Non-current liabilities	**29,977**	10,982	13,807	–	–
Shareholders' Equity	**1,239,111**	1,112,655	933,312	812,429	682,314

Chairman's Statement

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 results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

According to the data on the total volume of China's consumer goods produced for the year ended 31 December 2018, the market continued to expand and structural optimization adjustment and consumption upgrades continued, and these continue to play the role of the first driving force of economic growth. The middle and high-end women's clothing market also fluctuated in 2018 as the growth rate slowed clown to mid-single-digit level in the first half of 2018 and the market shifted from the high growth stage to the high-quality development stage, with a GDP growth rate of 6.9% as of the third quarter.

In 2018, the Group continued with its multi-brand group operation and development for middle and high-end women's clothing with a main focus on intensive cultivation of simple style and outstanding characteristics of products to make the brand stand out. In 2018, the Group's revenue exceeded 2,520.91 million, representing an increase of 14.39% compared with 2017, and a net profit of 272.31 million, representing an increase of 12.26% compared with 2017. As at 31 December 2018, the Group had 862 retail stores covering 31 cities of provinces, municipalities and autonomous regions across China of which 641 were operated by us and 221 were operated by our distributors under our own six brands. The Group 's main brand Koradior recorded retail sales of 1,636 million, landing among the top ranked single brands with the largest size in the PRC. The brand Koradior elsewhere continues rapid growth and recorded retail sales of over 353 million in 2018, representing a year-on-year increase of 21.09%. The high-end image of the brand La Koradior enjoyed popular support and was widely praised in the market with retail sales of over 208 million in 2018, representing a year-on-year rapid increase of 30.26%.The brands CADIDL,O'2nd and Obzee maintained significant growth, and the percentage of their aggregate revenue to total revenue also showed a trend of steady increase.

On the e-commerce aspect, the Group continuously strengthened its online product portfolio and increased integration online and offline. It also offered exclusive styles for e-commerce product selection. During the Reporting Period, e-commerce revenues reached RMB208 million in 2018, representing a year-on-year rapid increase of 33.89%.

The Group will continue to monitor any consumption changes brought about by economic or social factors, and strive to enrich the level of our middle and high-end products, and introduce more diversified and price-effective products. In terms of sales policies, we will strengthen the basis of the direct sales, expand the distribution scale by improving the structure, and optimize the original supply chain to minimize procurement costs. In addition, the Group will promote omni-channel construction by using online e-commerce resources. In 2018, the product under the Koradior brand "Stephen Flash Printing Dress"「斯蒂芬閃光印花連衣裙」which was jointly developed with a supplier won the title of "2018 Top 10 Innovative Textile Products". The brand CADIDL was awarded with the "Fashion Pioneer Award" at the Fashion Shenzhen exhibition in recognition of the Group 's contribution to the fashion industry.

Going forward, the Group will continue to optimise the positioning of the propagation and value of each brand value, and focus our resources on promoting and enhancing our brands through overseas fashion week, airport flagship, new media and seek opportunities to open new stores in Hong Kong and Macau. The Group is dedicated to creating series of fashion and exquisite products to convey an idea of unique modern way of life, so that the brand is full of fascinating vitality. Our Visions: Strive to be the leader of middle and high-end women's clothing fashion group in PRC. Our Mission: Make every woman unique and charming.

Finally, I would like to take this opportunity to, on behalf of the Board, offer our heartfelt thanks to all the shareholders, customers, business partners and our staffs for the continuous support and trust to the Group. I wish all of you good health and auspiciousness in the new year.

By order of the Board
Jin Ming
Chairman and CEO

Hong Kong, 22 March 2019

Management Discussion and Analysis

INDUSTRY REVIEW

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

INDUSTRY REVIEW *(Continued)*

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

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

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, retail and wholesale of women's wear in the PRC. The Group's revenue is generated primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to our distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) other sales which were mainly derived from staff sales or direct sales through promotional activities outside our retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Total revenue increased from RMB2,203.73 million for the year ended 31 December 2017 to RMB2,520.91 million for the year ended 31 December 2018, representing an increase of 14.39% or RMB317.18 million. Sales generated by our self-operated retail stores accounted for about 81.08% and 83.63% of our total revenue in 2018 and 2017 respectively, as it is our strategy to grow our business and sales network predominantly through expanding the number of our self-operated retail stores.

Total revenue from e-commerce increased by 33.89% from RMB155.37 million for the year ended 31 December 2017 to RMB208.03 million for the year ended 31 December 2018, primarily due to an increase in sales of our products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

FINANCIAL REVIEWS *(Continued)*

Total revenue from distributors increased 31.96% from RMB195.08 million for the year ended 31 December 2017 to RMB257.42 million for the year ended 31 December 2018.

Cost of sales

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

Gross profit and gross margin

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

Selling and distribution expenses

Selling and distribution expenses increased by 20.04% from RMB1,139.34 million for the year ended 31 December 2017 to RMB1,367.66 million for the year ended 31 December 2018, primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth; and (d) the increase in rental expenses due to increase in number of stores.

Administrative expenses

Administrative expenses increased by 14.03% from RMB131.44 million for the year ended 31 December 2017 to RMB149.88 million for the year ended 31 December 2018 primarily due to (a) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff; and (b) the increase in research and development costs with existing brands.

Finance costs

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

FINANCIAL REVIEWS *(Continued)*

Income tax expenses

Income tax expenses decreased by 29.79% from RMB61.86 million for the year ended 31 December 2017 to RMB43.43 million for the year ended 31 December 2018, mainly due to the withholding tax paid during the corresponding period in 2017 in respect of dividends distributed by the Group's PRC subsidiaries.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Company attributable to shareholders was RMB272.76 million for the year ended 31 December 2018 as compared to RMB253.52 million for the year ended 31 December 2017, representing an increase of 7.59% or RMB19.24 million. Net profit margins were 10.80% and 11.01% for the years ended 31 December 2018 and 2017 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December 2018, the Group's total current assets were RMB1,473.21 million (31 December 2017: RMB1,349.54 million) and total current liabilities were RMB485.89 million (31 December 2017: RMB481.25 million). The current ratio as at 31 December 2018 was 3.03 (31 December 2017: 2.80). The Directors believe that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 31 December 2018, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Renminbi which included a HK$50 million (equivalent to RMB43.81 million) term loan expiring within two years, a HK$50 million (equivalents to RMB43.81 million) revolving loan expiring within a year, and RMB10.55 million trade receivable factoring expiring within a year. Those loans have variable interest rates.

Financial position, liquidity and gearing ratio

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

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

Exposures to fluctuation in foreign exchange

The Group is exposed to currency risks attributable to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of relevant subsidiaries. The management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level. The Group mainly operates its business in the PRC with most of the transactions settled in RMB. Hence, the Board considers that the risk exposure to foreign exchange rate fluctuation is not significant and no financial instrument of hedging was employed to hedge against the currency risks.

FINANCIAL REVIEWS *(Continued)*

Contingent liabilities

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

Material acquisition

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

Significant Investments

On 15 December 2015, the Group entered into a partnership agreement with Shenzhen Dongfang Ruizhe Assets Management Co., Ltd.（深圳東方瑞哲資產管理有限責任公司）, Shenzhen HT Intelligent Control Co., Ltd.（深圳和而泰智能控制股份有限公司）and Hangzhou Xinkun Equity Investment Partnership（杭州心坤股權投資合夥企業）, to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P.（深圳前海瑞霖投資管理企業（有限合夥））("Qianhai Ruilin") with a total investment amount of RMB110 million. As at 31 December 2018, the Group has invested RMB30 million in Qianhai Ruilin at fair value of RMB43.28 million (2017: RMB30 million). Qianhai Ruilin was established solely for investing in Qingdao Kute Smart Co., Ltd（青島酷特智能股份有限公司）.

Use of proceeds

With the successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2014, net proceeds of HK$534.74 million have been raised. As at 31 December 2018, all proceeds have been utilised as planned.

BUSINESS REVIEWS

1. Business

The Group operates a number of major brands of high-end women's wear to meet various dressing needs of our customers: (i) Koradior brand launched in April 2007, which focuses on affluent ladies between the ages of 30 to 45, designed to be feminine, stylish, chic and young-looking for those women chasing casual elegance, and is committed to providing quality lifestyle; (ii) La Koradior launched in September 2012, branded luxury atmosphere and distinctive style, advocating the luxury and elegance of life and meeting the formal female social occasion dress needs; and (iii) Koradior elsewhere launched by the Group in September 2014, which is positioned to offer a simple yet feminine, stylish, modern relaxed, leisurely elegance from the heart, demonstrating that life is elsewhere; the Group also operates a number of brands with our business partners: (iv) CADIDL which is majoritively owned by Mondial, which is in turn owned as to 65% by the Group after the acquisition on 13 July 2016, which targets affluent ladies between the ages of 30 to 40, designed to high-end professional ladies with concise fashion design style and rival to the exquisite workmanship of advanced customized dress; (v) DE KORA, launched in July 2016 which is an established personal tailor made fashion brand which has created new benchmarks for customized clothing with high quality; and (vi) on 9 March 2017, the Group, through its 90% owned subsidiary entered into the five-year exclusive agreement with Handsome Global Co., Ltd（漢纖國際有限公司）to engage in the distribution and marketing of product under the brands "Obzee" and "O'2nd". O'2nd targets affluent ladies between the ages of 25 to 40, designed with a strong sense of fashion and paying particular attention to details and Obzee targets affluent ladies between the ages of 30 to 50, with a taste for trendy and feminine apparel with lace decor.

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

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

Revenue analysis by brands

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

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Revenue analysis by brands (Continued)

Note 1: The Group acquired 65% of the equity interest of Shenzhen Mondial Industrial Co., Limited which has self-owned brand "CADIDL" on 13 July 2016.

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

Revenue analysis by sales channels

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

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2018, 641 self-operated retail stores generated revenue of RMB2,044.02 million in aggregate, representing an increase of 10.90% as compared to the year ended 31 December 2017. Direct revenue comes mainly from the existing stores sales growth and sales from newly opened store.

The Group's brand is further expanded after the large-scale development, with more dealers seeking collaboration with the Group. There were 74 new retail stores operated by distributors under six brands (Koradior, La Koradior, Koradior elsewhere, CADIDL, Obzee and O'2nd) in 2018. As at 31 December 2018, there were 221 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB257.42 million, representing an increase of 31.96% as compared to the year ended 31 December 2017.

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

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Revenue of retail stores analysis by geographical regions
(Excluding e-commerce and others)

The following table sets out the breakdown of our revenue generated from our self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2017 and 2018, respectively:

	Year ended 31 December			
	2018		2017	
Region	**(RMB million)**	**%**	(RMB million)	%
Central PRC[1]	**294.72**	**12.81%**	267.81	13.14%
Eastern PRC[2]	**751.25**	**32.64%**	650.51	31.92%
North Eastern PRC[3]	**106.67**	**4.64%**	112.45	5.52%
North Western PRC[4]	**193.25**	**8.40%**	166.88	8.18%
Northern PRC[5]	**241.98**	**10.51%**	217.04	10.65%
South Western PRC[6]	**440.60**	**19.14%**	394.09	19.34%
Southern PRC[7]	**272.96**	**11.86%**	229.34	11.25%
Total	**2,301.43**	**100%**	2,038.12	100%

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan and Guangdong.

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Revenue of retail stores analysis by geographical regions (Continued)
(Excluding e-commerce and others)

During the year ended 31 December 2018, the revenue of retail stores generated from Eastern PRC and South Western PRC contributed to more than half of the total revenue of self-operated retail stores and wholesales to distributors.

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Breakdown of retail stores by geographical regions

During 2018, the Group opened 172 new retail stores (of which 98 are self-operated) and closed 99 retail stores (of which 70 are self-operated stores), representing a net increase of 73 retail stores. The following table sets out the number of retail stores in our sales network by geographical regions in the PRC as at 31 December 2018, including both self-operated retail stores and retail stores operated by distributors:

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

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan and Guangdong.

BUSINESS REVIEWS *(Continued)*

2. Design, research and development

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

Note 1: Stock keeping unit with products that are exactly the same except to their different colours deemed as different stock keeping units, and products that are exactly the same except for their different size deemed as one stock keeping unit

The Group engages well-known designers from both overseas and locally in China as the brand creative directors for "Koradior", "La Koradior", "Koradior elsewhere", "CADIDL", "DE KORA", "Obzee" and "O'2nd". Research and development expenses were RMB48.83 million, representing 1.94% of the Group's total revenue for the year ended 31 December 2018, as compared to RMB42.90 million, representing 1.95% of the Group's total revenue for the year ended 31 December 2017. The research and development of products not only earned customer's satisfaction but were also highly recognized by government departments. During the year, the Group released a series of creative design including Koradior "Artistic Chic", La Koradior "Venice Story", Koradior elsewhere "Art in life", CADIDL "Introspective Journey", O'2nd "Space Carnival "series.

3. Marketing and promotion

Airport advertising is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao International Airport and Xi'an Xianyang International Airport presently. Miranda Kerr, an internationally famous top model was the Group's brands spokesperson. The Group increased brand promotions and customer interactions through the public platform Wechat's lucky draw cards and greeting cards to increase its brand awareness and influence. The Group also placed brand imaging advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "ELLESHOP", "HAIBAO", "CHIC" etc. For the year ended 31 December 2018, the brand and marketing promotion expenses (excluding sales promotion expenses) were RMB61.54 million which accounted for 2.44% of the Group's total revenue, representing an increase of RMB6.53 million or 11.87% as compared to RMB55.01 million which accounted for 2.50% of the Group's total revenue for the year ended 31 December 2017 primarily due to the increase in advertisements in airports.

BUSINESS REVIEWS *(Continued)*

4. Human resources

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

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

The Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. We provide competitive salary and welfare package for our staff. For the year ended 31 December 2018, the total salary and welfare expenses were RMB481.71 million, representing 19.11% of the Group's total revenue and an increase of RMB97.77 million or 25.46% as compared to RMB383.94 million, representing 17.42% of the Group's total revenue for the year ended 31 December 2017.

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

5. Prospect

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

RISK MANAGEMENT

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

ENVIRONMENTAL AND SAFETY MEASURES

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

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. JIN Ming (金明), aged 48, is the founder and chief executive officer of our Group. He is also the chairman of our Board and was appointed as a Director on 23 March 2012 and re-designated as an executive Director on 5 March 2014. Mr. Jin has over 12 years of experience in the ladies-wear fashion and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. In May 2001, Mr. Jin started working at Shenzhen Yingjia Fashion Co, Ltd ("Yingjia Fashion"), our largest OEM contractors, as a marketing manager, in which he has gained extensive management experience in the ladies fashion and retail industry. He was then responsible for retail channels' development and maintenance. In January 2003, he became the general manager of marketing of Yingjia Fashion and was put in charge of brand promotion, the development and maintenance of sales channel and retail activities. In March 2007, he was appointed as chairman of the board of our Group. Mr. Jin graduated from University of Science and Technology of China (中國科學技術大學) with a Bachelor Degree of Arts in English for Science and Technology* (科技英語) in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in Shanghai in October 2013. Mr. Jin is also the sole director of Koradior Investments Limited, one of our controlling shareholders.

Ms. HE Hongmei (賀紅梅), aged 46, was appointed as one of our executive Directors on 5 March 2014. Ms. He is mainly responsible for overseeing the whole business unit, overall business planning and strategy execution. Ms. He joined our Group in March 2007 and has approximately 22 years' experience in the ladies-wear industry, including sales, business operation and procurement. Ms. He studied in Business and Enterprise Management* (商業企業管理) in Huangshi Finance and Trade School* (黃石市財貿學校大冶中等專業學校) in Huangshi, Hubei Province from September 1995 to July 1997. Before she joined Yingjia Fashion in 2001, she worked in Hubei Daye Textile Company* (湖北省大冶市紡織品公司) for nearly 6 years. In May 2001, Ms. He joined the customer service team of Yingjia Fashion and was promoted as the regional head in July 2002. Since March 2007, she started working for Shenzhen Koradior Fashion Ltd ("Shenzhen Koradior") which is an indirect wholly-owned subsidiary of our Company as the director of brand business department and became the general manager of Shenzhen Koradior in January 2009.

NON-EXECUTIVE DIRECTOR

Mr. YANG Weiqiang (楊偉強), aged 51, is currently the president of Shenzhen Qianhai Fosun Ruizhe Asset Management Limited (深圳前海復星瑞哲資產管理有限公司) ("Fosun Ruizhe"). Fosun Ruizhe is an investment management company focusing on financial investment, industry investment and merger integration. Its business covers equity investments in both public and private markets. Fosun Ruizhe has successfully participated in various investment and merger deals of many industry-leading companies, including Grandland Decoration Group (廣田集團) (stock code: 002482), the Company and Red Collar Group (紅領集團) in respect to its intelligent customised manufacturing platform known as "酷特智能". Mr. Yang Weiqiang served as the chief executive officer and managing director of Heaven-Sent Capital Management Group Co., Ltd. (硅谷天堂資產管理集團股份有限公司) from 2008 to 2013. During the period from 1995 to 2007, Mr. Yang worked at TCL Corporation with various senior positions including deputy general manager of TCL sales arm, general manager of TCL computer arm, senior vice president and executive director of TCL Corporation Group. Mr. Yang Weiqiang graduated from Zhengzhou University (鄭州大學), majoring in computer science and later obtained EMBA degree from Guanghua School of Management (Peking University) (北京大學光華管理學院) as well as EMBA degree from Cheung Kong Graduate School of Business (長江商學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Xiaoyu（周曉宇）, aged 50, was graduated from 西安電子科技大學 (Xian Electronic Technology University) with a bachelor's degree of electronic engineering in 1990 and from 中歐工商學院 (China Europe International Business School) with a degree of executive master of business administration in 2013. From 1990 to 1997, Mr. Zhou worked as an engineer and economist at 中國電子信息產業集 團公司 (China Electronics Corporation). From 1997 to 2000, he was a business manager in 中國電子工業深圳總公司 (China Electronics Industry (Shenzhen) Corporation). Mr. Zhou was the founder of 深圳市迪威視訊技術有限公司 (Shenzhen Diwei Video Technology Company Limited) and was the managing director during 2000 to 2004. In 2001, Mr. Zhou founded 深圳桑海通投資有限公司 (Shenzhen Sanghaitong Investment Company Limited) and was the managing director. In 2005, Mr. Zhou founded 深圳市秉宏投資有限公司 (Shenzhen Binghong Investment Company Limited) and was the managing director.

Mr. ZHONG Ming（鐘鳴）, aged 49, was appointed as an independent non-executive Director on 6 June 2014. He graduated from University of Science and Technology of China（中國科學技術大學）with a Bachelor Degree of Science in Biology in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School（中歐國際工商學院）in Shanghai in September 2007. From July 1992 to January 2002, Mr. Zhong worked for Procter & Gamble (Guangzhou) Limited*（廣州寶潔有限公司）as a brand manager. Then he joined Wall's (China) Co, Ltd. Shanghai Branch（和路雪（中國）有限公司上海分公司）as vice president of marketing from August 2003 to June 2006. He was employed by Reckitt Benckiser Household Products (China) Co., Ltd（利潔時家化（中國）有限公司）as marketing director from June 2006 to June 2008. From June 2012 to November 2013, Mr. Zhong worked as the senior vice president of operation of TPG Huhua (Shanghai) Equity Investment Management Enterprise (Limited Partnership). From March 2014 to June 2016, Mr. Zhong worked as the general manager of China for Luxottica (Shanghai) Trading Co., Limited. Mr. Zhong works as the senior vice president of Philips and the president of Greater China Health Division of Philip (China) Investment Co., Ltd.

Mr. ZHANG Guodong（張國東）, aged 41, holds a bachelor's degree in finance-related subjects, a master's degree in accountancy from the Chinese University of Hong Kong and an executive master's degree in business administration from Cheung Kong Graduate School of Business in Beijing, China. Mr. Zhang is a Certified Public Accountants and Certified Tax Agents in the People's Republic of China. From the year of 2000 to 2002, Mr. Zhang worked as a project manager in BDO International Reanda Certified Public Accountants*（德豪國際利安達信隆會計師事務所）in Beijing and Zhuhai, and was principally involved in audit work in relation to public initial offering and audit, consulting and tax planning work in relation to listed companies. From the year of 2002 to 2004, Mr. Zhang worked as a department manager in an accounting firm named BDO International Shenzhen Dahua Tiancheng*（德豪國際深圳大華天誠會計師事務所）and was principally involved in audit work in relation to public initial offering and audit, consulting and tax planning work in relation to listed companies. From the year of 2004 to 2008, Mr. Zhang worked as the chief financial officer at Dason Trading (Shanghai) Co., Limited*（大辛貿易（上海）有限公司）. From the year of 2009 to 2018, Mr. Zhang was an executive director in Ping An Securities Group (Holdings) Limited (formerly known as Madex International (Holdings) Limited), a company listed on the Main Board of the Stock Exchange (stock code: 00231). Mr. Zhang has more than 7 years of experience in managing listed companies and is familiar with the daily operation, mergers and acquisitions of listed companies. Mr. Zhang is currently mainly engaged in private equity fund investment.

Directors and Senior Management Profile

SENIOR MANAGEMENT

Mr. GUO Zhongqiao（郭忠橋）, aged 39, is the sales director of our Group. Mr. Guo joined our Group in November 2011 and oversees the sales and operation of our Group. Mr. Guo has over 11 years of experience in sales and distribution in fashion industry. Prior to joining our Group, Mr. Guo has been the region manager and director of self-operated distribution of Yingjia Fashion from July 2005 to October 2011. He was a manager of the Northern region for the marketing department of Shenzhen Taiming Fashion Limited*（深圳市臺茗服飾有限公司）from February 2004 to June 2005. He obtained an Adult Education Graduation Certificate in Computer and Information Management*（電腦與信息管理）from Jiangxi Economic Administration Cadres College*（江西經濟管理幹部學院）in Nanchang, Jiangxi Province in July 1999.

Mr. HU Qi（胡琦）, aged 40, is the design director of our Group. Mr. Hu joined our Group in March 2007 and primarily takes responsibility for the design and development of ladies-wear of our Group. Mr. Hu has over 14 years of experience in fashion design. Prior to joining our Group, Mr. Hu was the chief designer of Shenzhen Fei Ying Si Fashion Limited*（深圳市飛影思服飾有限公司）from June 2004 to August 2006. He also worked in the design team for Shenzhen Zeyuan Houye Fashion Co.,Ltd.*（深圳市澤源厚業時裝有限公司）from May 2003 to June 2004 and Shenzhen Yezi Garment Limited*（深圳市葉子服裝實業有限公司）from September 2001 to May 2003. He obtained a bachelor degree in Fashion Art and Design*（服裝藝術設計）from the Hubei Academy of Fine Arts*（湖北美術學院）in Wuhan, Hubei Province in July 2001.

Mr. WU Ting（吳頲）, aged 42, is the e-commerce director of our Group. Mr. Wu joined our Group in March 2007 and primarily takes responsibility for the operation, management and development of e-commerce of our Group. He has been the manager of our operations and sales department from March 2007 to March 2010 and senior manager of our planning department from March 2010 to February 2013. Mr. Wu has over 14 years of experience in sales, operation, and marketing in the apparel industry. Prior to joining our Group, Mr. Wu has been the manager of the products department, the operations department and marketing department of Yingjia Fashion during the period from October 2001 to January 2007. He obtained a bachelor degree in Fashion Design*（服裝）from Suzhou University*（蘇州大學）in Suzhou, Jiangsu Province in June 1999.

Ms. HU Lifen（胡麗芬）, aged 48, is the operations director of our Group, primarily responsible for the operations and management of the supply chain of our Group. Ms. Hu joined our Group in March 2007 and has been the manager of our product planning department till March 2013. Ms. Hu has over 14 years of experience in marketing and production planning of fashion companies. Prior to joining our Group, Ms. Hu was the manager of products department of Yingjia Fashion from December 2005 to March 2007. She was a marketing manager for Shenzhen Yinzuo Fashion Limited*（深圳市銀座時裝有限公司）from July 2001 to December 2005. She passed the specialty test in accounting in Zhongnan University of Economics*（中南財經大學）, which is Zhongnan University of Economics and Law（中南財經政法大學）now in Wuhan, Hubei Province in December 1999.

Ms. ZHU Chaochao（祝超超）, aged 29, is the chief financial officer, primarily responsible for the overall financial management and operation of our Group. Ms. Zhu joined our Group as a chief financial officer assistant in June 2015. From October 2012 to April 2015, Ms. Zhu was an senior auditor in an accounting firm named Ernst and Young Global Limited Shenzhen Office（安永華明會計事務所）and was principally involved in audit work in relation to public initial offering and audit in relation to listed companies. She obtained her Bachelor of Finance management from Guangdong University of Foreign Studies（廣東外語外貿大學）in July 2012. She became a qualified member of The Chinese Institute of Certified Public Accountants in 2014.

COMPANY SECRETARY

Ms. WONG Wai Kiu (黃煒喬), aged 38, has been appointed as the company secretary of the Company with effect from 28 March 2018. Ms. Wong has acted as finance manager of the Company since July 2014. From September 2005 to January 2012 she worked as senior accountant of Kam Hing International Holdings Ltd (stock code: 2307). She is a fellow member of the Association of Chartered Certified Accountants and obtained a Bachelor Degree of Applied Accounting from Oxford Brookes University in the United Kingdom, Master Degree of Science in Professional Accountancy from University of London and Master Degree of Arts in Fine Arts from the Chinese University of Hong Kong. She has extensive experience in company secretary, financial accounting and corporate governance compliance for listed company.

JOINT COMPANY SECRETARY

Mr. LEUNG Ka Wai (梁嘉偉), aged 48, is the joint company secretary of our Company, primarily responsible for company secretarial affairs of our Group. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

The English names of companies incorporated in the PRC marked with "*" are translations of their Chinese names and are included for identification purposes only.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD OF DIRECTORS

The Company's Board of Directors (the "Board") is responsible for formulating the overall strategy of the Group and reviewing the operations and financial performance of the Group. The chairman is responsible for the management and leadership of the Board to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner.

Board composition

The Board now comprises six Directors including two executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board and representation on Board committees are set out below:

Title	Name	Position	Gender	Age	Length of services
Executive Directors:	Mr. Jin Ming	Chairman of the Board Chief Executive Officer Chairman of Nomination Committee Member of Remuneration Committee	Male	48	12 years
	Ms. He Hongmei		Female	46	12 years
Non-Executive Directors:	Mr. Yang Weiqiang		Male	51	3 years
	Mr. Deng Shigang (Resigned on 31 December 2018)	Member of Remuneration Committee	Male	46	6 years
Independent Non-Executive Directors:	Mr. Zhang Guodong	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	Male	41	1 year
	Mr. Zhou Xiaoyu	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee	Male	50	3 years
	Mr. Zhong Ming	Member of Audit Committee	Male	49	5 years

THE BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

Our Directors are experienced in a range of corporate and industry expertise such as accounting, finance and business and operation management. The diversity of the Directors' experience provides useful exchange of ideas and views to ensure that decisions are made with a balanced judgement. There is no financial, business, family or other material or relevant relationship among the Directors. The biographical details of the Directors are set out on pages 24 to 25 of this annual report.

The Board has established three sub-committees of the Board, namely the Audit Committee, Remuneration Committee and Nomination Committee. The Chairman of Remuneration Committee and Audit Committee are independent non-executive directors. Written terms of reference of each of these sub-committees are available on the websites of the Company and the Stock Exchange.

Board meetings

The Board discusses the overall strategy as well as the operational and financial performance of the Company. Other Board meetings are held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The table below sets out the attendance of all members of the Board at the meetings held during the year ended 31 December 2018:

	Regular Board Meetings	**Annual general meeting held on 25 May 2018**
Executive Directors:		
Mr. JIN Ming *(Chairman and Chief Executive Officer)*	5/5	1/1
Ms. HE Hongmei	5/5	1/1
Non-executive Directors:		
Mr. YANG Weiqiang	5/5	1/1
Mr. DENG Shigang (note 1)	4/5	1/1
Independent Non-executive Directors:		
Mr. ZHANG Guodong	5/5	1/1
Mr. ZHOU Xiaoyu	5/5	1/1
Mr. ZHONG Ming	4/5	1/1

Note 1: Mr. Deng Shigang resigned on 31 December 2018.

There are three independent non-executive Directors who represent more than one-third of the Board, and Mr. Zhang Guodong has the appropriate professional qualifications as required by Rule 3.10(2) of the Listing Rules.

THE BOARD OF DIRECTORS *(Continued)*

Board meetings *(Continued)*

Notices are given to all Directors at least 14 days prior to regular Board meeting, and due and proper notices are given to all Directors in advance for attending other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advisory and secretarial services, at the Company's expenses, of the company secretary with a view to ensure that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the Board meetings minutes are sent to all Directors for their comment and records. Minutes of Board meetings are recorded in sufficient details for the matters considered by the Board and the decisions reached, including any concerns raised by the Directors, and such minutes are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Director's securities transactions during the year ended 31 December 2018.

Confirmation of independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

Appointment, re-election and removal

Each of the executive Directors has entered into a service contract for a fixed term of three years, and each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a specific term of three years and two years respectively, subject to normal rotation in accordance with the articles of association of the Company (the "Articles of Association").

THE BOARD OF DIRECTORS *(Continued)*

Directors' training

During the year ended 31 December 2018, the Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Company has organized seminars for all the then Directors of the Company namely Mr. Jin Ming, Ms. He Hongmei, Mr. Deng Shigang, Mr. Yang Weiqiang, Mr. Zhang Guodong, Mr. Zhou Xiaoyu and Mr. Zhong Ming. The workshop covered topics including "Director Induction" by The Hong Kong Institute of Chartered Secretaries and "Compliance and Beyond Training Package on Business Ethics for Listed Companies" by The Hong Kong Business Ethics Development Centre of the ICAC. In addition to formal courses, all Directors namely Mr. Jin Ming, Ms. He Hongmei, Mr. Deng Shigang, Mr. Yang Weiqiang, Mr. Zhang Guodong, Mr. Zhou Xiaoyu and Mr. Zhong Ming developed themselves through (i) regulatory and reporting requirements; (ii) benefits to corporate governance; (iii) the role of the company secretary; (iv) best practice tips on director induction; (v) the common misconduct and corrupt practices, such as conflict of interest, fraud, connected transactions, misappropriation of company finds, bribery, etc.; and (vi) the common ethical challenges such as conflict of interest, cross boundary corruption, use of false documents to deceive principal, etc.

All Directors have provided the Company with their respective training records in compliance with Code A.6.5 of the CG Code.

THE AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules for the establishment of an Audit Committee. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Zhang Guodong (as chairman), Mr. Zhou Xiaoyu and Mr. Zhong Ming. Mr. Zhang Guodong possesses the appropriate professional qualification. The primary duties of the Audit Committee are to maintain relationship with our auditors, review our financial information and oversee our financial reporting system, internal control and risk management systems and procedures and the internal audit department of the Group and their effectiveness. The terms of reference of the Audit Committee have been revised in January 2017 to specifically include the review of the risk management system as required by the CG Code.

For the year ended 31 December 2018, three audit committee meetings were held to review and discuss with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal control, risk management and other financial reporting matters. The attendance records of individual committee members are set out below:

Mr. ZHANG Guodong *(Chairman)*	3/3
Mr. ZHOU Xiaoyu	3/3
Mr. ZHONG Ming	2/3

THE REMUNERATION COMMITTEE

The Company has complied with the Rule 3.25 of the Listing Rules to set up the Remuneration Committee. In accordance with its terms of reference, the primary function of the Remuneration Committee is to consult the Chairman of the Board and/or the chief executive officer about the remuneration for other executive Directors, and to make recommendations to our Board on our Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee currently consists of one executive Director, namely Mr. Jin Ming, and two independent non-executive Directors, namely Mr. Zhou Xiaoyu (Chairman) and Mr. Zhang Guodong.

Details of remuneration of our Directors are set out in note 8 to the Financial Statements.

For the year ended 31 December 2018, two meetings of the Remuneration Committee were held to, amongst others, review and approve the remuneration packages of the Directors and senior management of the Company. The attendance records of individual committee members are as follows:

Mr. ZHOU Xiaoyu *(Chairman)*	2/2
Mr. ZHANG Guodong	2/2
Mr. DENG Shigang (note 1)	2/2
Mr. JIN Ming (note 2)	0/0

Note 1: Mr. Deng Shigang resigned on 31 December 2018.

Note 2: Mr. Jin Ming was appointed on 31 December 2018.

THE NOMINATION COMMITTEE

In compliance with the CG Code, the Company has established a Nomination Committee. In accordance with its terms of reference, the primary duties of the Nomination Committee are to make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular our chairman and chief executive officer. The Company adopted a board diversity policy in March 2015 which set out the objective and strategies to achieve diversity on the Board, taking into consideration a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee currently consists of one executive Director, namely Mr. Jin Ming (as chairman), and two independent non-executive Directors, namely Mr. Zhou Xiaoyu and Mr. Zhang Guodong.

THE NOMINATION COMMITTEE *(Continued)*

For the year ended 31 December 2018, two meetings of the Nomination Committee were held to, review the structure and composition of the Board, and assess the independence of independent non-executive Directors. In addition, the Nomination Committee also reviewed the qualification of Mr. Zhang Guodong and made recommendation to the Board for the appointment of Mr. Zhang, as well as the appointment of Mr. Jin Ming as a member of the Remuneration Committee. The attendance records of individual committee members are as follows:

Mr. JIN Ming *(Chairman)*	2/2
Mr. ZHOU Xiaoyu	2/2
Mr. ZHANG Guodong	2/2

BOARD DIVERSITY

Pursuant to Code Provision A.5.6 of the CG Code, the Company has adopted a board diversity policy which consists of the following main aspects:

a. Board composition to be reviewed in terms of the size of the Board, the number of non-executive directors and executive directors in relation to the Board overall,

b. Board effectiveness which requires members to have diverse skills, knowledge and experiences that combine to provide different perspectives and effective board dynamics, and

c. Nominations and appointments to be carried out in view of maintaining an appropriate mix of required skills, experience, expertise and diversity on the Board.

The Nomination Committee is responsible for reviewing the policy on board diversity and any measurable objectives for its implementation and the progress on achieving the objectives.

DIRECTOR NOMINATION POLICY

The policy on nomination of Directors of the Company is in place and was updated in the year taking into consideration the revised Listing Rules effective from 1 January 2019. The updated policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

The responsibilities and authority for selection and appointment of Directors is delegated to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board. In evaluating and selecting any candidate for directorship, among other things, the following criteria will be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

DIRECTOR NOMINATION POLICY *(Continued)*

- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Nomination Committee and/or the Board will evaluate the candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship. The Nomination Committee will also consider recommendations for candidates made by shareholders of the Company.

Regular reviews will be conducted by the Nomination Committee on the structure, size and composition of the Board and the policy on nomination of Directors of the Company and where appropriate, the Nomination Committee will make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the directors and members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	10
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	Nil

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in notes 8 and 9 to the financial statements.

AUDITOR'S REMUNERATION

Ernst & Young, has been appointed as the external auditor of the Company. The independence of the external auditor is recognised and annually reviewed by the Board and the Audit Committee of the Company. During the year, the fee payable to Ernst & Young in respect of its audit services provided to the Group was RMB120 million. No non-audit service was provided by Ernst & Young during the year.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal control and risk management

The Board recognizes its responsibility to ensure the Company maintains sound and effective internal control and risk management systems and oversees such systems on an ongoing basis. Reviews of the effectiveness of the internal control and risk management systems of the Group are conducted on an annual basis.

The Group has an independent internal audit department. The independent internal audit is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the year of 2018, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal control and risk management and adopted a series of measures to ensure their safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders. The Board is of the view that the systems of internal control and risk management are effective and adequate and there are no irregularities or improprieties identified.

COMPANY SECRETARY

Ms. Wong Wai Kiu is the company secretary of our Company primarily responsible for company secretarial affairs, financial reporting advices and coordination of investor relations of our Group. She reports to the Chairman and/or the Chief Executive Officer. She plays a key role in the formulation of appropriate Board procedures to meet business needs of the Company and the compliance with all applicable laws and rules. Ms. Wong is a fellow member of the Association of Chartered Certified Accountants.

JOINT COMPANY SECRETARY

Mr. Leung Ka Wai is the joint company secretary of our Company, primarily responsible for company secretarial affairs of our Group. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

The Company confirms that Mr. Leung Ka Wai and Ms. Wong Wai Kiu have attended no less than 15 hours of relevant professional training during 2018.

Minutes of all meetings of the Board and Board committees are kept by the company secretary, and are available for inspection by the Directors upon request.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes in engaging in regular, effective and fair communication with shareholders and is committed to conveying important and relevant information to its Shareholders on a timely basis.

The Company is mindful to ensure that information is made publicly available on a timely basis. A Shareholders' communication policy was adopted by the Company to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company. The Board will review the policy on a regular basis to ensure its effectiveness.

Disclosure of information is made by way of publishing announcements, notices, circulars and financial reports through the website of the Stock Exchange, press releases, general meetings, as well as the website of the Company.

SHAREHOLDERS' RIGHTS

In accordance with Article 58 of the Articles of Association of the Company, one or more Shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Directors shall be reimbursed to the requisitioner(s) by the Company.

SHAREHOLDERS' RIGHTS *(Continued)*

Shareholders may by ordinary resolution elect any person to be a Director of the Company. If a shareholder wishes to nominate a person to be elected as a Director, the following documents shall have been lodged at the head office of the Company and the office of Hong Kong branch share registrar of the Company: (i) his/her notice of intention to propose a resolution at the general meeting; (ii) a notice executed by the nominated candidate of his/her willingness to be elected as a director and consent of publication of his/her personal information together with his full name and biographical details as required by Rule 13.51(2) of the Listing Rules; and (iii) the contact details, within the period commencing on the day after the dispatch of the notice of the general meeting appointed for such election and ending on the date falling seven days prior to the date of such general meeting.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any Shareholder can be mailed to the Board at the Company's principal place of business in Hong Kong at Unit C, 17/F, OfficePlus@Mongkok, No. 998 Canton Road, Kowloon, Hong Kong, through the Company's official website (www.koradior.com), or sent through fax number at (852) 2325 5685, or through the Company's hotline at (852) 2325 5292.

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2018.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL PLACE OF BUSINESS

Koradior Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in Hong Kong and has its registered office at Conyers Trust Company (Cayman) Limited, Cricked Square, Hutchins Drive P.O Box 2681 Grand Cayman KY1-111 Cayman Islands and principal place of business in Hong Kong at Unit C, 17/F, OfficePlus@Mongkok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Group is leading and fast growing high-end ladies-wear companies in the People's Republic of China (the "PRC"). The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

During the year ended 31 December 2018, the reform at the supply side and global economic recovered synchronously, the growth rate of the Chinese economy rallied and the consumer market saw stable growth. The retailing industry presents the growth rate in this year. The middle and high-end women's apparel ushered in a new climax of development and recorded a substantial year-on-year increase in sales. Meanwhile, the homogeneous competition among brands became more intense. Apparel enterprises no longer simply rely on the traditional model of retail at physical stores or extensive model of online shopping via e-commerce. Instead, these enterprises have constructed a sales platform integrating online shopping and physical stores, striving to offer the most premium shopping experience for consumers.

The Group achieved favorable results once more by putting a strong focus on multi-brand strategy, with quality and scale of mergers and acquisitions, expanding its operation on e-commerce platforms and promoting omni-channel construction by using online e-commerce resources. Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 11 to 23 of this annual report. Details of the financial key performance indicators are set out in the section headed "Financial Highlights" on pages 4 to 6 of this annual report. There have been no significant events affecting the Group which have occurred since the financial year end.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external sources. Major risks faced by the Group are summarized below.

(a) Fashion risk

The fashion industry is highly susceptible to changes in fashion trends and fluctuations in consumer tastes and preferences. In order to achieve continued and sustainable success in our business, we must be able to anticipate, identify and respond promptly to such changes. We believe that our success depends on our ability to anticipate, identify and interpret the habits and tastes of, and trends among, our targeted customers and to offer products that appeal to their preferences. If we fail to anticipate accurately and respond to the shifts in consumer preferences, or fail to introduce new and improved products to satisfy those preferences in a timely manner or adjust our product mix accordingly, we may experience lower sales volumes, lower selling prices and lower profit margins. As such, our financial results may be adversely affected. On the other hand, if we fail to anticipate the increase in consumer demand for our ladies-wear products, we may experience inventory shortages and loss of sales opportunities, which may also materially and adversely affect our image.

(b) Intense competition

The ladies-wear industry in the PRC is characterised by intense competition from both international and domestic brands. We generally face competition from brands with similar brand positioning based on brand recognition, design, product mix, quality, price, customer service and breadth of retail network, among other factors. Our rapid growth may also attract attention and concerns from our competitors and new market players to adopt similar brand positioning with their brands as us.

There is no assurance that we will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established sales network. In order to maintain our market share and remain competitive, we may have to provide more sales incentives to our staff and distributors, and increase capital expenditures, which may in turn negatively affect our profit margins and our results of operations.

(c) Macroeconomic environment

Macroeconomic changes may result in changes in the business environment. Ladies-wear products may be considered as discretionary items for customers. Slower consumer spending may result in reduced demand for our products, leading to higher inventories, lower revenue and margin. It is therefore important that the Group is aware of any such changes of economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions accordingly.

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(d) Supply chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price at all times. For the year ended 31 December 2018, 28.91% (2017: 17.35%) of our products were produced by our top five suppliers.

(e) Credit Risk

We sold substantially all our products directly to end-consumers through our self-operated retail stores in shopping malls and department stores in the PRC. Proceeds from the sales made in these leased retails stores are mainly collected by the department stores and the shopping malls on our behalf, and then we issue invoices and offer from 30 to 60 days. However, there is no assurance that we will be able to fully recover our receivables from our shopping malls and department stores, or that they will be settled on a timely basis.

(f) Weather

Extreme changes in weather patterns could also affect consumers' purchasing behaviour, which may lead to fluctuations in our sales revenue. For example, extended periods of unseasonably warm weather during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable weather conditions. These extreme or unseasonable weather conditions could have a material adverse effect on our results of operations.

(g) Information system

We are dependent on information technology systems and networks, including the internet and third-party hosted services across many of our operating activities, including sales and distribution, ordering and purchases, inventory management in all retail outlets, e-commerce business, customer relationship management, digital marketing and financial reporting. Any material disruption or slowdown of our IT systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses or cyber-attacks could cause a loss of data or operation interruption.

Therefore, we invest continuously in our IT and ERP systems in order to keep up with the technology security and availability and integrity of critical operation data.

KEY RELATIONSHIPS

(a) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer to committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides induction and on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control, sales fairs planning and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

(b) Suppliers

We have developed long-standing and good relationships with our vendors and taken great care to ensure that they can share our commitment to product quality. We carefully select OEM contractors and raw material suppliers, we require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Customers

Our customers consist of end customers and distributor customers that purchase products from us and sell to end customers. We are committed to offer high-end stylish and smart-casual ladies-wear apparel fashion with our seven brands to our customers. We maintain our VIP database and have ongoing communications with our customers through various channels like the Company's website, public platform, direct mail, marketing materials and social media. We also provide training to our sales personnel to provide quality and value-added customer services at retail channels.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to supporting environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, introducing the e-employee handbook and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group will review its environmental practices from time to time and implement further eco-friendly measures and practices in the operation of our Group's businesses such as using LED light system in our stores to enhance environmental sustainability.

REGULATORY COMPLIANCE

As disclosed in the prospectus of the Company dated 17 June 2014, the Company's business is subject to various laws and regulations such as: The Administrative Measures for Fair Transactions between Retailers and Suppliers《零售商供應商公平交易管理辦法》(which provides the code of business conduct, collection of charges, payment of purchases, return policies and punishments between retailers and suppliers during the transactions), The Measures for Administration on Sales Promotion Acts of Retailers《零售商促銷行為管理辦法》(which provides the standards and requirements of retailers' sales promotion and advertisement); and The Administrative Measures for Online Trading (which are applicable to all behaviours in relation to online product trading and relevant services). During the year ended 31 December 2018, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

USE OF PROCEEDS

With the successful listing of the Company's shares on the Main Board of the Stock Exchange, the net proceeds of HK$534.74 million (including the partial exercise of the over-allotment option on 21 July 2014) have been raised and were kept at the bank account of the Group to be used in accordance with the plan of use of proceeds as stated in the prospectus of the Company dated 17 June 2014. The Company has utilised HK$534.74 million as at 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The customers consist of end customers and distributor customers that purchase products from the Group and sell to end customers. During the year ended 31 December 2018, aggregate sales to the Group's largest and five largest customers accounted for 1.90% (2017: 1.87%) and 4.16% (2017: 3.27%) respectively, of the Group's total revenue for the year.

The suppliers of the Group consist of OEM contractors and raw material suppliers. Aggregate purchases from the Group's largest and five largest suppliers accounted for 9.14% (2017: 7.37%) and 28.91% (2017: 17.35%), respectively, of the Group's total purchases from suppliers for the year ended 31 December 2018. The largest OEM contractor, Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion"), is a connected person owned as to 53% and 47% by Ms. Chen Lingmei and Mr. Jingquan respectively, who are the parents of Mr. Jin Ming and the controlling shareholders of the Group, and all other OEM contractors are independent third parties. The VAT-inclusive processing fees incurred to Yingjia Fashion for the years ended 31 December 2017 and 2018 amounted to RMB58.55 million and RMB74.01 million, respectively, representing 10.91% and 12.64% of total purchase of outsourced products and sub-contracting fees during the same periods, respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 6 of the annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 81 to 160 of the annual report.

DIVIDEND POLICY

The policy on payment of dividend of the Company is in place to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. The declaration and payment of dividends of the Company shall be determined at the discretion of the Board and subject to all applicable laws and regulations in the Cayman Islands and Hong Kong and the Articles of Association of the Company. The policy shall be reviewed periodically and the Board will make any necessary amendments as appropriate from time to time.

When considering the declaration and payment of dividends, the Board shall take into account, among others (i) the Group overall results of operation, (ii) the Group financial position, (iii) the Group capital requirements, (iv) the Group shareholders' interests.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any final dividend for a financial year will be subject to shareholders' approval.

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 13 the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2018 the total issued share capital of the Company was 486,337,000 ordinary shares.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB400.54 million.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated statement of profit or loss and other comprehensive income for the year are set out in notes 6 and 8 to the financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 1 to the financial statements.

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure amounted to approximately RMB63.69 million (2017: RMB71.28 million) which was used for store decorating and purchase of office, furniture and equipment for each retail store capitalised under leasehold improvements and furniture, fixtures and equipment.

The details of the properties, plant and equipment of the Group are set out in note 13 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date are set out in note 24 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who hold office during the year and up to the date of this report are:

Executive Directors
Mr. JIN Ming (Chairman and Chief Executive Officer) (appointed on 23 March 2012)
Ms. HE Hongmei (appointed on 3 March 2014)

Non-executive Directors
Mr. YANG Weiqiang (appointed on 1 March 2016)
Mr. DENG Shigang (resigned on 31 December 2018)

Independent Non-executive Directors
Mr. ZHONG Ming (appointed on 6 June 2014)
Mr. ZHOU Xiaoyu (appointed on 30 June 2016)
Mr. ZHANG Guodong (appointed on 17 July 2017)

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years and each of the non-executive Director and the independent non-executive Directors of the Company has entered into a letter of appointment with the Company for a specific term of three years and two years respectively, commencing from the Listing Date subject to his retirement and re-election at annual general meeting in accordance with the Company's Articles of Association. The details of the remuneration of each of the Directors are set out in note 8 to the consolidated financial statements.

The Company has received annual confirmation on independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related paragraph headed "Connected transactions" below and the related party transactions in note 32 to the financial statements, there was no transaction, arrangement or contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest subsisting at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the paragraph headed "Directors 'and chief executive's interest in securities" and in the paragraph headed "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director, or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 24 to 27 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 December 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	Long	61.78%
Ms. He Hongmei	Beneficial owner	500,000 (note 2)	Long	0.10%

Notes:

1. These shares are held by Koradior Investments Limited, which 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. These represent the underlying shares under the share options granted to Ms. He Hongmei.

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 31 December 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	41,307,578	Long	8.49%
Sisu Holdings Limited (note 3)	Beneficial owner	41,307,578	Long	8.49%
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%

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 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 31 December 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.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 6 June 2014:

1. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of our Company and its shareholders as a whole. The Scheme, which is valid for 10 years from 6 June 2014, will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

2. The participants include any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and full-time employees of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

3. Unless otherwise approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

4. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ("Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

5. The Shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of our Company shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the over-allotment option (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

6. The subscription price for shares under the Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the Offer Date; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

SHARE OPTION SCHEME *(Continued)*

As at 31 December 2018, there were 7,460,000 share options granted under the Scheme which were outstanding, and there were 4,863,370 shares available for issue under the Scheme Mandate Limit (representing 1% of the issued share capital of the Company as at 31 December 2018).

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

Name or category of grantee	At 1 January 2018	Granted during the year	Exercised during the year (Number of share options)	Cancelled during the year	Lapsed during the year	At 31 December 2018	Exercise period (note 1)	Exercise price per share	Closing price per share immediately before date of grant
Directors									
Mr. Deng Shigang (note 2)	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	–	–	–	(500,000)	500,000			
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	–	–	–	(500,000)	7,460,000			

Note:

1. 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.

2. Mr Deng Shigang has resigned as a non-executive director on 31 December 2018 and the 500,000 share options granted to him have lapsed as a result.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the financial year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, each of Mr. Jin Ming and Koradior Investments Limited (together as the "Controlling Shareholders") had entered into a deed of non-competition dated 16 June 2014 (the "Deed of Non-Competition") in favor of the Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that, among other matters, (i) he/it shall not, and shall use his/its best endeavours to procure each of their respective associates not carry on or be engaged in, invest in, participate or attempt to participate in, render any services to, provide any financial support to or otherwise be concerned with or interested in, directly or indirectly, whether as a director or a shareholder (other than being a director or a shareholder of our Group), partner, agent or otherwise, in the design, promotion, marketing, sales and distribution of ladies-wear in the People's Republic of China as engaged in by our Company or in any other business that may compete, directly or indirectly with such business (the "Restricted Activity"); and (ii) if the Controlling Shareholders or their associates are given any business opportunity relating to the Restricted Activity (the "Competing New Business Opportunity"), he/it shall, and shall use his/its best endeavours to procure that his/its associates (other than the Group) inform the Company of any such Competing New Business Opportunity in writing and shall use his/its best endeavours to assist the Company in obtaining such Competing New Business Opportunity on the same or more favourable terms.

In order to ensure each of the Controlling Shareholders has complied with the Deed of Non-Competition, the following actions have been taken:

(1) the Company has enquired the Controlling Shareholders, from time to time, on whether he/it or any of his/its associates has engaged in any Restricted Activity or is given any Competing New Business Opportunity;

(2) the Company has required each of the Controlling Shareholders to give confirmation to the Company on an annual basis as to whether he/it and his/its associates have complied with the Deed of Non-Competition;

(3) each of the Controlling Shareholders has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-Competition by his/it and his/its associates for the year ended 31 December 2018; and

(4) the independent non-executive directors of the Company have reviewed the status of compliance by the Controlling Shareholders with the undertakings in the Deed of Non-Competition during the year ended 31 December 2018 and confirmed that, so far as they can ascertain, each of the Controlling Shareholders has complied with the Deed of Non-Competition.

The Company is not aware of any other matters regarding the compliance of the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company, and there has not been any change in terms of the Deed of Non-Competition for the year ended 31 December 2018.

CONNECTED TRANSACTIONS

The Group had entered into a number of transactions with connected persons of the Company within the meanings of the Listing Rules. These transactions are considered to be continuing connected transactions under the Listing Rules, which need to be disclosed herein in compliance with the requirements under the Listing Rules or the conditions of waivers previously granted by the Stock Exchange. Details of the continuing connected transactions are as follows:

Mr. Jin Ming ("Mr. Jin") is our chief executive officer, chairman and executive Director and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Mr. Wang Sumin ("Mr. Wang") is the brother-in-law of Mr. Jin and accordingly Mr. Wang is an associate of Mr. Jin and a connected person of our Company under Rule 14A.21(1)(a) of the Listing Rules. Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion") is 53.00% owned by Ms. Chen Lingmei who is the mother of Mr. Jin. Accordingly, Yingjia Fashion (including its subsidiaries) is a connected person of our Company under Rule 14A.12(2)(b) of the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(A) **Set out below are the details of the exempted continuing connected transactions entered into between our connected persons and a member of our Group. Pursuant to Rule 14.07 of the Listing Rules, the applicable percentage ratios (other than the profits ratio) of the following exempted continuing connected transactions are on an annual basis, less than 5.00% and the annual consideration less than HK$3,000,000. By virtue of Rule 14A.76(1) of the Listing Rules, they are exempted from the reporting, announcement requirements and the independent shareholders' approval requirements.**

(i) Lease of office from Mr. Jin

On 1 January 2016, Shenzhen Koradior Fashion Co. Ltd ("Shenzhen Koradior"), a wholly-owned subsidiary of the Company, has renewed the lease agreement with Mr. Jin, pursuant to which Shenzhen Koradior leased an office located at 7G, Zone B, Shum Yip Terra's Hongsong Building,Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 533 sq.m., from Mr. Jin at RMB64,002 per month. The annual rental will not be more than HK$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced from 1 January 2018 to 31 December 2019.

By entering into the above lease agreement, our Group would be able to continue to lease the office to conduct its business operations without the need to find and relocate to alternative offices.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(A) *(Continued)*

(ii) *Lease of office from Mr. Wang*

On 1 March 2014, Shenzhen Koradior entered into a lease agreement with Mr. Wang, pursuant to which Shenzhen Koradior leased an office located at 8/F, Zone B, Shum Yip Terra's Hongsong Building, Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 426 sq.m., from Mr. Wang at RMB51,173 per month. The annual rental will not be more than HK$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 March 2014 and ended on 31 May 2016. The lease agreement was renewed and the renewed term commenced from 1 January 2018 to 31 December 2019.

By entering into the above lease agreement, our Group is able to continue to lease the office to conduct its business operations without the need to find and relocate to alternative offices.

Our Directors consider that the leases stated above are in our Group's ordinary and usual course of business, on normal commercial terms, and their terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

(B) Processing Agreement with Yingjia Fashion Group

(i) *Background*

Since our Group does not have any in-house production facilities, Shenzhen Koradior has outsourced the production of our products to third party OEM contractors, including Yingjia Fashion, since the commencement of our business in 2007. Since 2017, Yingjia Fashion has delegated and centralised the processing and manufacturing services to be provided by its subsidiaries, as our Company believed such strategy would allow us to reduce investment in fixed assets and generate higher returns on our assets.

(ii) *Services*

On 15 March 2014, Shenzhen Koradior entered into a processing agreement with Yingjia Fashion (the "2014 Processing Agreement"), as supplemented on 9 June 2014, pursuant to which Yingjia Fashion agreed to provide certain processing and manufacturing services to Shenzhen Koradior, including but not limited to manufacturing products according to (i) the manufacturing standards and processing techniques stipulated by Shenzhen Koradior or (ii) standard samples provided and confirmed by the design team of Shenzhen Koradior. The 2014 Processing Agreement is for a term from 15 March 2014 to 31 December 2016 and was renewed on 23 November 2016 for a term of three years commencing from 1 January 2017 to 31 December 2019 (the "2016 Processing Agreement").

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion Group *(Continued)*

(ii) Services (Continued)

On 26 May 2017, Shenzhen Koradior and Yingjia Fashion (Ganzhou) Co., Ltd. ("Ganzhou Yingjia") entered into a new processing agreement (the "2017 Processing Agreement") to renew the 2016 Processing Agreement in order to revise the annual caps for the provision of processing and manufacturing services by Ganzhou Yingjia to the Group for the three years commencing from 1 January 2017 up to and including 31 December 2019.

On 30 November 2018, Shenzhen Koradior, Ganzhou Yingjia and Shenzhen Ifashion Cloud Technology Co., Ltd. ("Shenzhen Ifashion" together with Ganzhou Yingjia, "Yingjia Fashion Group") entered into a new processing agreement (the "New Agreement") to renew the 2017 Processing Agreement in order to revise the annual caps for the provision of processing and manufacturing services by Yingjia Fashion Group to the Group for the three years commencing from 1 January 2018 up to and including 31 December 2020.

(iii) Internal control procedures

To ensure future transactions with Yingjia Fashion Group are on normal commercial terms, we have adopted the following internal control procedures:

(i) we will develop our own estimate of processing fee based on factors mentioned above and obtain fee quotations from independent comparable OEM contractors for products which require processing services in similar quantities to determine if the price and terms offered by Yingjia Fashion Group are fair and reasonable and comparable to those offered by independent comparable OEM contractors;

(ii) we will select the successful OEM contractor for individual transaction based on objective standards such as publicly available raw material prices, the scale and reputation of the relevant OEM contractor, price and quality of processing services and products, and product delivery time and services; and

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion Group *(Continued)*

(iii) Internal control procedures (Continued)

(iii) regular reports regarding our Group's purchase and other relevant information will be provided to the independent non-executive Directors who will conduct semi-annual review of the purchase terms (including whether these are based on factors mentioned above) and the fairness of our Group's basis of selecting its OEM contractors.

Our Directors believe that the above measures will ensure that our Group's transactions with Yingjia Fashion Group are and will be conducted on normal commercial terms and the terms are not and will not be prejudicial to the interests of our Company and our minority Shareholders.

(iv) Reasons for and benefit of entering into the Processing Agreement

Taking into account our long term cooperation with Yingjia Fashion and their proven quality of services, our Directors consider the New Agreement can provide us with a stable supply of quality services by Yingjia Fashion Group with revised annual caps to cater for the continuing expansion of the Group and thus is beneficial to us.

(v) Transaction amounts

For the year ended 31 December 2018, the VAT-inclusive processing fees incurred to Ganzhou Yingjia and/or Shenzhen Ifashion amounted to approximately RMB74.01 million and accounted for approximately 12.64% of our total purchase of outsourced products and subcontracting fees during the same periods, which is within the maximum annual amount of RMB75 million.

(vi) Annual caps

The maximum amount of VAT-inclusive processing fees under the New Agreement shall not exceed the cap of RMB75.00 million, RMB78.00million and RMB80.00 million respectively for each of the three years ending 31 December 2018, 2019 and 2020.

In arriving at the above annual caps, our Directors have considered, among others, (i) historical processing fees Shenzhen Koradior paid to Yingjia Fashion Group in the past; (ii) the estimated market demand from customers for products of the Group; and (iii) the estimated size of production to be outsourced to Ganzhou Yingjia and Shenzhen Ifashion for processing and manufacturing.

Our Directors are of the view that (i) the New Agreement has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and the terms of the New Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the revised annual caps set for the New Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

As all the applicable percentage ratios (other than the profit ratio) in respect of the New Agreement are more than 0.1% but less than 5%, the New Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

Corporate Governance Measures

As part of our internal corporate governance, all our Directors and employees will not disclose any confidential information or trade secrets to any independent third party including Yingjia Fashion Group, unless such disclosure is made to professional advisers on a need-to-know and confidential basis or is otherwise required by the government or any regulatory authorities under any applicable laws and regulations.

We have also adopted the following corporate governance measures:

(i) Mr. Jin will declare his interests and will, together with his associates (as the case may be), abstain from voting at the board meetings and general meetings of our Company in respect of the processing services arrangement between Yingjia Fashion Group and our Group;

(ii) the processing agreements between our Group and Yingjia Fashion Group will be subject to compliance with Chapter 14A of the Listing Rules and in particular, the approval of the independent Shareholders of our Company pursuant to Rule 14A.36 of the Listing Rules. The material terms of such processing agreements and the pricing policy adopted by our Group for such arrangement has been disclosed above;

(iii) the terms of the processing transactions between Yingjia Fashion Group and our Group will be reviewed by the independent non-executive Directors on a semi-annual basis and their views in respect of these transactions will be disclosed to the Shareholders in compliance with the Listing Rules; and

(iv) the independent non-executive Directors will be provided with a report by the auditors of our Company on all the transactions conducted between our Group and Yingjia Fashion Group each year and the content of such report will be in compliance with the requirements under Rule 14A.56 of the Listing Rules.

Corporate Governance Measures *(Continued)*

The independent non-executive Directors have reviewed and confirmed that the above non-exempt continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the New Processing Agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 50 to 53 of the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

No contract, other than directors' service contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2018.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director and other officers of the Company shall be entitled to be indemnified by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in the execution and discharge of his or her duties or in relation thereto pursuant to the Company's Articles of Association. Such provisions were in force during the course of the financial year ended 31 December 2018 and remained in force as of the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SIGNIFICANT EVENTS

There have been no significant events affecting the Group which have occurred since 31 December 2018.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 28 to 37 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CLOSURE OF THE REGISTER OF MEMBERS

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

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

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 6 June 2014 for the purpose of reviewing and providing supervision on the financial reporting process, internal control system and risk management of the Group.

The Audit Committee comprises the three independent non-executive Directors with Mr. Zhang Guodong acting as chairman.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group with external auditor.

AUDITORS

Ernst & Young was appointed as the auditor of the Company on 5 December 2018 upon the removal of KPMG. The consolidated financial statements for the year ended 31 December 2018 have been audited by Ernst & Young, who shall retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Jin Ming
Chairman and Chief Executive Officer

22 March 2019

Environmental, Social and Governance Report

ABOUT THIS REPORT

Koradior Holdings Limited ("Koradior" or the "Company", together with its subsidiaries are collectively referred to as the "Group") is pleased to present its first report on the Environmental, Social, and Governance (the "ESG") aspects (the "ESG Report"), in accordance with the guidelines of Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "HKEx") (the "ESG Guidelines").

Established in 2007, we are one of the leading and fast growing high-end womanswear companies in the PRC. We are engaged in the design, promotion, marketing and sales of products under our self-owned and acquired brands, Koradior, La Koradior and Koradior elsewhere, DE KORA, CADIDL, O'2nd and Obzee. The ESG Report covers the Group's overall performance, commitment and approaches in workplace quality, environmental protection, operating practices and community involvement in relation to the abovementioned operations during the year ended 31 December 2018. All information and data disclosed herein were based on formal documents and internal statistics of the Group.

1.1 SCOPE OF THE REPORT

The ESG Report focuses on the sustainability approach and performance in the environmental and social aspects of the Group's retail business of its house brands and its manufacturing plant in Shenzhen of the People's Republic of China (the "PRC"), during the reporting period from 1 January 2018 to 31 December 2018. The environmental key performance indicators ("KPIs") from A1.1 to B3.2 as disclosed in the ESG Report are based on the Group's headquarters and retails store in PRC. The Group will continue to strengthen information collection in order to enhance the performance in environmental realm and to disclose relevant information in sustainable development.

1.2 REPORTING FRAMEWORK

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

STAKEHOLDERS' FEEDBACK AND ENGAGEMENT

We recognise the ESG Report as an important measure to showcase our efforts in sustainable development, which is an integral part of our success and aspiration to become one of the front-running international brands with high quality in design and fabrics.

STAKEHOLDERS' FEEDBACK AND ENGAGEMENT *(Continued)*

In realising sustainable development, we are devoted to strike a balance of the interests among various stakeholders, such as investors and shareholders, customers, employees, work partners and suppliers as well as the community. We also attach high importance to communication with our stakeholders as we undertake the following:

Stakeholders	Expectations and concerns	Communication Channels
The Stock Exchange	—Compliance with the Listing Rules, publishing of announcements in a timely and accurate manner	—Meetings, trainings, seminars, website update and announcements
Government and regulatory authorities	—Compliance with laws and regulations —Business Sustainability	—Supervision on the compliance with local laws and regulations —Routine reports
Shareholders or investors	—Return on investments —Corporate governance —Business compliance	—Regular reports and announcements —Regular general meetings —Company's official website
Employees	—Employees' compensation and benefits —Training and development —Protection for the labor force and safety in the working	—Performance reviews —Regular meetings and trainings —Organization of team activities
Customers	—High quality products and services —Protection of customers' rights	—Customer satisfaction survey —Face-to-face meetings and on-site visits —After-sale services
Suppliers	—Fair and open procurement —Win-win cooperation —Payment schedule, supply stability	—Open tendering —Suppliers' satisfactory assessment —Face-to-face meetings and on-site visits
General public	—Involvement in communities —Business compliance —Environmental protection awareness	—Media conferences and responses to enquiries —Public welfare activities —Company's official website

we welcome stakeholders' feedback on our environmental, social and governance approach and performance. Please share your views with us via:

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Phone:	(852) 2325-5292
Email:	ir@koradior.com
Website:	http://www.koradior.com

A. ENVIRONMENTAL

Environmental protection has long been one of the priorities of the PRC and other governments. We seek to comply with all laws and regulations and to respect the natural environment. The environmental challenges facing the world prompt our resolves to become an environmentally responsible company. Koradior strives to minimise its impact to the natural environment whilst operating efficiently. We promote energy efficiency and emission reduction in all processes, from design and product planning, production and logistics, to sales and disposal. Our operations have complied with all relevant laws and regulations in the PRC in relation to emission and generation of waste.

A1: Emission:

The Group is committed to operating in compliance with applicable environment laws and regulations in all material respects and protecting environment by minimizing the negative impact of the Group 's operation on the environment. The greenhouse gas ("GHG") and air emission is classified into direct and indirect emission. Direct emission includes combustion of fuels in production process. As the Group has been outsourcing the production of all our products to domestic OEM contractors since the commencement of our business in 2007, we have established a detailed mechanism to supervise our suppliers, including contractors, joint venture partners and suppliers of goods and services, to ensure they comply with relevant laws and regulations. Although we do not always have direct control over each procedure of the lifecycle of our products, we continue to seek improved quality and output efficiency from our suppliers. We only conduct business with suppliers who share our commitment to the environment.

Type of emissions of carbon dioxide equivalent	**2018** **Kilograms**
Water	**4,452.70**
Electricity	**11,954,059.84**
Paper	**7,776.00**
Business trips by plane	**202,489.00**
	12,168,777.54

In 2018, our Group produced 12,168.78 metric tons of total carbon dioxide equivalent emissions or 2.47 metric tons per employee, which included the emissions by our office activities and business trips.

A. ENVIRONMENTAL *(Continued)*

A1: Emission: *(Continued)*

As office activities emissions, 509,214.84 kilograms of carbon dioxide equivalent per kilowatt-hour of electricity, because of energy indirect emissions (main sources are purchased electricity/gas), 4,452.70 kilograms of carbon dioxide equivalent per m^3 of water, which are produced by electricity used for processing fresh water and sewage by government departments and 7,776.00 kilograms of carbon dioxide equivalent of used amount of paper waste disposed at landfills.

Our employees travelled by plane for business trips 1,177 times during the year ended 31 December 2018, producing 202.49 metric tons of carbon dioxide, the density of greenhouse gas emission is 0.17 metric tons carbon dioxide per time.

However, due to the nature of the business, our Group's business activities do not generate any hazardous waste and do not have any direct and significant impacts on the environment and natural resources in the course of its operation.

A2: Use of resources

The Group has implemented a number of internal environment policies, with appropriate equipment installed to help reduce the adverse impact brought to the environment. The main type of energy consumption of the Group is electricity. Due to the nature of our business, water is not a main type of resources used in our business. It is mainly used for domestic purposes in our offices and facilities. We look for improvement of energy efficiency of our stores and their construction. We use low-VOC paints in renovation. We adopt LED or other illumination systems to reduce electricity consumption. The LED lighting system saves up to 80% energy and has a long life of more than 10 times compared with traditional lighting. In addition, there are no ultraviolet and infrared rays in the LED light spectrum, and the waste can be recycled. It does not contain mercury vapor unlike traditional fluorescent lamps. There is no gas pollution and it is a typical green lighting. We constantly replace heating, ventilation, and air conditioning units with higher efficiency units. We use shopping bags and gift boxes made with more eco-friendly or recyclable packaging materials.

1. *Electricity*

Headquarter	Unit	2018	2017
Electricity	Mwh	**717.20**	705.57
Water consumption	m^3	**6,361.00**	4,592.00

Retail Stores	Unit	2018	2017
Electricity	Mwh	**16119.50**	11,577.23

As at 31 December 2018, the Group own 862 retail stores (including self-operated retail stores, and distributors operated retail stores) in the Mainland China. The density of consumption is about 188.28kWh/m^3. (2017: owned 789 retail stores. The density of consumption is about 149.27kWh/m^3). We have increased electricity use by 39.01kWh/m^3 or 26.13% compared to last year.

A. ENVIRONMENTAL *(Continued)*

A2: Use of resources *(Continued)*

2. *Total amount of packaging materials*

The consumption of packaging materials for the year ended 31 December 2018 and 2017 is as follows:

	2018 Ton	2017 Ton
Non-woven bags	**21.09**	53.24
Cardboard	**12.16**	10.35
Paper bags	**188.99**	123.00
Paper Box	**7.50**	14.12
Carton Box	**261.53**	225.69

In product planning, besides comfort and style, our designers take into consideration the fabrics we are to use in manufacturing, where environmentally friendly materials are preferred. We are also committed to ethical practices in animal welfare, ensuring proper care and respect to the specific species for our leather, fur and exotic skins products chain.

With regards to logistics, we streamline our warehousing and delivery processes in order to lower transportation frequency and thereby carbon emission through the consumption of diesel and petroleum. We also tend to consume less packaging materials (such as plastics, aluminum boxes, corrugates).

Additionally, we implement various measures to lower waste and consumption levels in our headquarters and other offices. We encourage reduction in paper, water and energy usage through recycling of paper and stationery, promotion of working with electronic documents instead of paper copies, limited operation of air-conditioning system, waste reduction and separation, as well as other initiatives. In addition, we have increased use of video-conference and updated the internal communication apps to reduce business travels and increase communication efficiency.

B. SOCIAL

There are no specific requirements or industry practices on gender in terms of our business nature. The Group has no specific requirements on employees' ages that are different to the general practices of our industry. During the reporting period, there is no material change in the Group's staff composition nor unusual employee turnover to which stakeholders' attention needs to be drawn.

B1. Employment

We believe employees are one of the pillars of Koradior's sustainable development. We strive to create an inspirational and modern work environment where our employees are nurtured and respected. We set up a comprehensive human resources management system, which was prepared in compliance with or with reference to the Hong Kong Employment Ordinance, the PRC Labour Law （《中華人民共和國勞動法》）, the PRC Labour Contract Law（《中華人民共和國勞動合同法》） and other applicable laws and regulations.

Koradior respects diversity and upholds human rights as the Company seeks to eliminate all forms of discrimination. The human resources management system outlines rules and practices on employment, recruitment and promotion, remunerations and benefits, training and development, codes of ethics, safety and health, compensation and dismissal, working hours and rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. Employment contacts were prepared pursuant to these rules and guidelines.

We do not have a specific policy granting preference to local residents from cities where we open retail outlets, we ensure that there is no gender, religious, racial or other forms of discrimination whatsoever during our hiring processes. Furthermore, for all our employees, we provide fair and adequate opportunities in terms of job promotion and salary increment in recognising and rewarding our employees; whilst we encourage career development within our organisation by offering on-job training. Provision of mandatory provident fund, pension, medical and unemployment insurance, and a range of other welfare benefits is guaranteed in compliance with relevant labour laws.

We work to foster better employee engagement and retention, to maintain stable workforce for long-term success.

B. SOCIAL *(Continued)*

B1. Employment *(Continued)*

Total number of employees for the year ended 31 December 2018 is as follows:

Age Group	Male	Female	Total
18-27	91	940	1,031
28-37	231	2,803	3,034
38-47	100	703	803
48-57	31	31	62
58 or above	2	1	3
Total	455	4,478	4,933

Employment type	Male	Female	Total
Staff (General and junior)	334	3,698	4,032
Supervisor	66	129	195
Manager	45	643	688
General manager	9	7	16
Director	1	1	2
Total	455	4,478	4,933

In 2018, 90.78% of our employees were female and 9.22% of our employees were male, and the age distribution of our employees were approximately 20.90%, 61.50%, 16.28%, 1.26% and 0.06% for the age groups of 18-27, 28-37, 39-47, 48-57 and 58 or above respectively. Among all our employees, 0.10% are from Hong Kong and 99.90% are from China.

B. SOCIAL *(Continued)*

B2. Occupational Health and Safety

Koradior puts employees first as it stresses the overall safety and health of its employees and their work environments. Workplace health and safety policies have been developed and are customised for both retail and operational employees. We regularly conduct assessments of our policies and update our standards to ensure that they are in compliance with the relevant laws and regulations in relation to working environment and protection from occupational hazards at all times.

We also track incidents in workplaces in order to identify potential problems which may jeopardise our employees' health and safety. We aspire to eliminate all hazards and accidents in workplaces as we enforce improving measures in case of incidents.

In addition, one of our initiatives to provide a comfortable and healthy work environment is that our Administration Department sends all drinking water to authorities, such as Longhua Center for Disease Control and Prevention of Shenzhen, for water quality inspection regularly. During the reporting period, our Administration Department purchased TVOC formaldehyde detector from the testing institutions with national qualifications and had an air quality test of office areas, the result of formaldehyde/TVOC meet national security standards (Formaldehyde content $\leq$0.1mg/m^3, TVOC content $\leq$0.5mg/m^3).

Koradior believes emotional well-being is as important to an employee as physical health. We encourage employees to express and share their opinions on work conditions and operation practices as we value their happiness. Also, we organise cultural, social, sports activities to create a better work-life balance for our employees. We organised for our employees "The Sports Day 2018" where contestants compete in rounds of team-sports oriented games with offbeat and comical obstacles and challenges.

No work-related fatalities or lost days due to work injury were recorded for the year ended 31 December 2018.

B. SOCIAL *(Continued)*

B3. Employee Development and Training

Koradior places strong emphasis on personnel development. Koradior's human resources management system takes into account employees' long-term growth within the Group. We coordinate sufficient internal or external trainings for employees to boost their potential, such as:

1. Induction courses for new employees upon their joining;
2. 3 models of management training;
3. Fire safety courses;
4. Workshops on logical thinking and communication skills;
5. Seminars on emotion and stress management skills;
6. Procurement training on fabrics knowledge, etc.;
7. Logistics management training;
8. Seminars on information technology knowledge sharing;
9. Training on budgeting and costing;
10. Seminars on latest fashion trend, clothing technology, visual merchandising;
11. On-job training or seminar on customer care and product and brand knowledge;
12. Other forms of training for daily operation processes;
13. Seminars or information on latest changes on Listing Rules and corporate governance practices for directors and management;
14. Speech and reporting ability course.

With its growing brand awareness in the global market, Koradior's diverse business environment also allows its employees to utilise their unique talents to optimize results. Therefore, Koradior adopt an "open-door" policy and we encourage communication between employees and their supervisors or the management of the Company. Based on their requests and job performances, we provide flexible career options to them to foster a better personnel development.

B. SOCIAL *(Continued)*

B3. Employee Development and Training *(Continued)*

The training hours per employee for the year ended 31 December 2018 are as follows:

Average hours of training received per employee	**hours**
Total employees	3.13
Average hours of training per employee by gender	
Male	12.00
Female	3.11
Average hours of training per employee by ranking	
Senior management	2.75
Middle management	2.82
General Staff	3.61
Lower levels (junior)	3.65

B4. Labour Standards

Koradior is in compliance with Hong Kong Employment Ordinance, Regulations on Labour Security Supervision and other applicable laws as the Group sets a high standard in protecting employees. Relevant guidelines are set out in employment contracts, internal notices and other forms of documents.

Koradiors strictly prohibits any child labour or forced labour, or any unfair treatment to our employees. We protect employees against any kind of sexual harassment or abuse of power in the workplace. We educate employees of their rights and responsibilities. We closely monitor our workplace conditions and employees' behavior. In any case of breach of conduct, we will launch detailed investigations over the matters and improve our preventive measures.

B5. Supply Chain Management

Koradior endeavours to maintain long-term and close relationships with its suppliers and working partners. Since we rely on OEM contractors to manufacture our products, we have developed a stringent procurement mechanism. We are committed to procuring products and services in a manner which is conducive to good global citizenship; therefore we only partner with suppliers who embrace high ethical business standards in terms of environmental protection, anti-corruption, employment practices and protection of intellectual property rights.

We choose our suppliers based on their business record, product quality and cost. Before selecting suppliers, we conduct due diligence on the potential suppliers. We have close communication with and monitor our suppliers to ensure that they are in compliance with applicable laws whilst honouring the terms set out in the procurement agreement. We will immediately terminate our procurement if a supplier fail to perform its responsibilities and might blacklist the supplier.

B. SOCIAL *(Continued)*

B6. Product Responsibility

We value our customers very highly and handle issues related to our business from the perspective of our customers. We promise our customers that Koradior will always offer high-quality products, respect customers' opinions, and create comfortable shopping experience and ensure that we comply with all health and safety, advertising, labelling and privacy matters relating to our products and services provided and methods of redress.

Koradior runs successful marketing campaigns to reinforce the distinctive image for its brand or sub-brands, which include fashion shows in Beijing and Hangzhou, signing up supermodel Miranda Kerr as its brand ambassador, placing advertising billboards at airports, sponsoring cover shots of renowned fashion magazine as well as partnering with famous artists and celebrities.

While such marketing initiatives contribute to rising brand recognition and stronger customer loyalty, Koradior remains true to its convictions and the quality it presents in its brand building efforts. We show genuine interest in delivering the superior products and customer service.

Koradior engages with customers in a range of ways including after-sales service. We invite our customers to share their opinions on our products. Complaints are especially valuable and details of complaints are promptly shared with relevant departments. Such forms of feedback help us better understand the needs of our customers and improve our product offering. For damaged products, we offer free clothing repairing and mending services, as well as returns and exchanges.

As a renowned brand, Koradior is dedicated to providing finest fashion with high quality in design and fabrics to customers. All products are sent to inspections by relevant government authorities. Besides, the Group continues to observe every detail of its sales practices and look for improvement to make sure that customers enjoy comfortable shopping experience.

B7. Anti-corruption

Koradior's Board of Directors and senior management oversee the Group's corporate governance. The Group has built its reputation in the business with, amongst other qualities, its anti-corruption approaches. The Group adheres to the philosophy of integrity and eradicates corruption acts resolutely. We have a strict anti-corruption policy with our business units which are analysed for risk related to such issue, with a view to creating a corruption-free culture. The policy lays the groundwork for our expectations regarding the ethical and legal responsibilities of our staff and partners.

B. SOCIAL *(Continued)*

B7. Anti-corruption *(Continued)*

All executives, procurement staff and store managers are trained and boasts sufficient knowledge about our anti-corruption practices procedures. Koradior is committed to working with suppliers who operates in an honest and transparent way. In accordance with the relevant anti-corruption laws and regulations in Hong Kong and the PRC, Koradior does not accept any forms of bribes and improper payments in attempt to gain an improper advantage, including securing procurement contracts, reservation of products, and so on.

Koradior regularly carry out inspections or compliance audits to its corporate governance policy and make necessary upgrades to ensure our compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering. For details of the Group's corporate governance structure and practices, please refer to page 28 to page 37 of this annual report.

B8. Community Investment

As a responsible corporate citizen, Koradior makes an effort to give back to the community. We address social issues and communicate with local community to understand their needs. During the reporting period, we made contributions to the community by ways of donation, voluntary works, as well as cultural and academic programs. For the donation program "有溫度的書", which collected books in our 335 retails stores, we donated 9,565 books to elementary school students and children, hopefully bringing warmth and joy to the students and children in the PRC.

Through these initiatives, we enhance employees' awareness of caring for the community and it is essential for them to champion a good cause. We encourage them to take the lead to aid the society through participating in corporate social responsibility activities, which enables our employees to appreciate how they and the Company can benefit from helping the community and contributes to long-term growth of both the individuals and the Company.

HKEX ESG GUIDE CONTENT INDEX

Aspect A1: Emissions

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental	–
KPI A1.1	The types of emissions and respective emissions data.	Environmental	–
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Environmental	–
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	–	The Group has not identified any production of hazardous waste in our operations.
KPI A1.4	Total non-hazardous waste produced and intensity.	Environmental	–
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental	–
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect A2: Use of Resources

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental	The Group did not generate significant amount of air emissions nor discharge into land, and the Group has not identified any hazardous waste produced in our core business.
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental	–
KPI A2.2	Water consumption in total and intensity.	Environmental	–
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental	–
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	–	The Group believes that our water consumption is mainly for domestic use and no issues have been identified at this moment.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Environmental	–

Aspect A3: The Environment and Natural Resources

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental	–
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Environmental	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B1: Employment and Labour Practices

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti–discrimination, and other benefits and welfare.	Social	–
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Social	–

Aspect B2: Health and Safety

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social	–
KPI B2.1	Number and rate of work-related fatalities.	–	No work-related fatalities were recorded during the reporting period.
KPI B2.2	Lost days due to work injury.	–	No lost days due to work injury were recorded during the reporting period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B3: Development and Training

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities.	Social	–
KPI B3.1	The percentage of employees trained by gender and employee category.	Social	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social	–

Aspect B4: Labour Standards

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social	–
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	–	No such incidents were reported during the reporting period.

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B5: Supply Chain Management

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social	–
KPI B5.1	Number of suppliers by geographical region.	–	Not identified as material aspect.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	–	Not identified as material aspect.

Aspect B6: Product Responsibility

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social	The office-based operation of the Company is not considered to have significant environmental and social risks of product responsibility due to its nature of business.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–	Not identified as material aspect.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	–	Not identified as material aspect.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	–	Not identified as material aspect.
KPI B6.4	Description of quality assurance process and recall procedures.	–	Not identified as material aspect.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	–	Not identified as material aspect.

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B7: Anti-corruption

General Disclosures and KPIs	Description	Relevant Secion in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social	–
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	–	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the reporting period.
KPI B7.2	Description of preventive measures and whistle–blowing procedures, how they are implemented and monitored.	–	At this moment, the Group has no written whistle-blowing procedure and relevant incidents are reviewed on a case by case basis. The Group is planning to review the feasibility and appropriateness of adopting standardised whistle-blowing procedures in the coming years.

Aspect B8: Community Investment

General Disclosures and KPIs	Description	Relevant Secion in the ESG Report	Remarks
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Social	–
KPI B8.1	Focus areas of contribution	Social	–
KPI B8.2	Resources contributed to the focus areas	Social	–

Independent Auditor's Report

To the shareholders of Koradior Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Koradior Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 160, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
Sales of apparel and accessories in the fashion industry can be volatile with consumer demand changes according to current fashion trends. The Group typically sells or disposes of off-season inventories at a markdown from the original price to maintain the strength of the brands and make room for new season inventories in its retail stores. Accordingly, the actual future selling prices of some inventories may fall below their purchase costs. Management consider several factors to determine an appropriate level of inventory provisions, which include inventory ageing, the historical percentage of inventories sold at usual price levels and channels available for selling off-season inventories. We identified the valuation of inventories as a key audit matter because of the significant judgement exercised by management in determining an appropriate level of inventory provisions which involves estimating the amounts of inventories which will be unsold at the end of each season and the markdowns necessary to sell such off-season inventories on a discounted basis through outlets and other channels in future years. Both of these factors can be inherently uncertain and could be subject to management bias. Details of the inventory provision are disclosed in notes 3 and 17 to the consolidated financial statements.	Our audit procedures to assess the valuation of inventories included the following: • assessing whether the inventory provisions were calculated in a manner consistent with the Group's inventory provision policy by recalculating the inventory provisions based on the mechanisms and parameters in the Group's inventory provision policy and considering the application of the Group's inventory provision policy with reference to the requirements of the prevailing accounting standards; • assessing on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items with the underlying purchase documents; • evaluating the Group's inventory provision policy by comparing management's forecasts of the amounts of inventories which are unlikely to be sold in the foreseeable future at current prices and the corresponding forecast markdowns to the historical sales amounts and markdown data for the current and prior years provided by management; • testing, on a sample basis, the net realizable value of finished goods based on price and markdowns subsequent to the reporting date, accessing whether inventories are stated at the lower of cost and net realizable value; and • enquiring of the senior members of the sales team about any expected changes in plans for markdowns or disposals of off-season inventories and comparing their representations with actual sales transactions subsequent to the reporting date.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tjen, Michael.

Ernst & Young
Certified Public Accountants

Hong Kong

22 March 2019

Consolidated Statement of Profit or Loss

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**2,520,906**	2,203,726
Cost of sales		**(717,946)**	(642,703)
Gross profit		**1,802,960**	1,561,023
Other income, net	5	**38,844**	14,610
Selling and distribution expenses		**(1,367,655)**	(1,139,341)
Administrative expenses		**(149,882)**	(131,437)
Impairment losses on financial assets	6	**(122)**	–
Other expenses		**(434)**	1,706
Finance costs	7	**(7,972)**	(2,121)
PROFIT BEFORE TAX	6	**315,739**	304,440
Income tax expense	10	**(43,425)**	(61,857)
PROFIT FOR THE YEAR		**272,314**	242,583
Attributable to:			
Owners of the parent		**272,759**	253,517
Non-controlling interests		**(445)**	(10,934)
		272,314	242,583
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
For profit for the year		**RMB56 cents**	RMB52 cents
Diluted			
For profit for the year		**RMB56 cents**	RMB51 cents

Consolidated Statement of Comprehensive Income

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**272,314**	242,583
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be classified to profit or loss in subsequent periods		
Exchange differences on translation of financial statements	**(375)**	(4,956)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**271,939**	237,627
Attributable to:		
Owners of the parent	**272,384**	248,561
Non-controlling interests	**(445)**	(10,934)
	271,939	237,627

Consolidated Statement of Financial Position

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**155,435**	149,820
Intangible assets	14	**21,780**	26,196
Goodwill	15	**21,681**	21,681
Prepayments, other receivables and other assets	19	**21,736**	10,617
Equity investments designated at fair value through other comprehensive income	16	**43,277**	–
Available-for-sale investments	16	**–**	30,000
Deferred tax assets	25	**17,852**	17,036
Total non-current assets		**281,761**	255,350
CURRENT ASSETS			
Inventories	17	**460,634**	457,028
Trade receivables	18	**304,117**	308,799
Prepayments, other receivables and other assets	19	**65,087**	66,640
Financial assets at fair value through profit or loss	20	**30,000**	–
Cash and cash equivalents	21	**613,376**	517,070
Total current assets		**1,473,214**	1,349,537
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**76,260**	158,932
Trade payables	22	**102,682**	76,498
Other payables and accruals	23	**238,291**	194,547
Tax payable		**68,654**	51,273
Total current liabilities		**485,887**	481,250
NET CURRENT ASSETS		**987,327**	868,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,269,088**	1,123,637

Consolidated Statement of Financial Position

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**21,905**	–
Deferred tax liabilities	25	**8,072**	10,982
Total non-current liabilities		**29,977**	10,982
Net assets		**1,239,111**	1,112,655
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**3,859**	3,859
Reserves	28	**1,214,866**	1,087,965
		1,218,725	1,091,824
Non-controlling interests		**20,386**	20,831
Total equity		**1,239,111**	1,112,655

Jin Ming
Director

He Hongmei
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent								Non-Controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (note 26)	Share premium RMB'000 (note 28)	Capital redemption RMB'000	Capital reserve RMB'000 (note 28)	Statutory reserve RMB'000 (note 28)	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
At 1 January 2017	3,936	275,166	119	(20,221)	16,050	(295)	630,792	905,547	27,765	933,312
Profit for the year	–	–	–	–	–	–	253,517	253,517	(10,934)	242,583
Other comprehensive loss for the year:										
Exchange differences on translation of financial statements	–	–	–	–	–	(4,956)	–	(4,956)	–	(4,956)
Total comprehensive income for the year	–	–	–	–	–	(4,956)	253,517	248,561	(10,934)	237,627
Capital injection from a non-controlling shareholder	–	–	–	–	–	–	–	–	4,000	4,000
Repurchase and cancellation of shares	(77)	(62,664)	77	–	–	–	–	(62,664)	–	(62,664)
Equity settled share-option arrangements	–	–	–	380	–	–	–	380	–	380
Appropriation to statutory reserve	–	–	–	–	29,903	–	(29,903)	–	–	–
At 31 December 2017	3,859	212,502*	196*	(19,841)*	45,953*	(5,251)*	854,406*	1,091,824	20,831	1,112,655

	Attributable to owners of the parent									Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 26)	Share premium RMB'000 (note 28)	Capital redemption reserve RMB'000	Capital reserve RMB'000 (note 28)	Statutory reserve RMB'000 (note 28)	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
At 31 December 2017	3,859	212,502	196	(19,841)	45,953	–	(5,251)	854,406	1,091,824	20,831	1,112,655
Effect of adoption of IFRS 9	–	–	–	–	–	11,285	–	(671)	10,614	–	10,614
At 1 January 2018(restated)	3,859	212,502	196	(19,841)	45,953	11,285	(5,251)	853,735	1,102,438	20,831	1,123,269
Profit for the year	–	–	–	–	–	–	–	272,759	272,759	(445)	272,314
Other comprehensive loss for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	(375)	–	(375)	–	(375)
Total comprehensive income for the year	–	–	–	–	–	–	(375)	272,759	272,384	(445)	271,939
Appropriation to statutory reserve	–	–	–	–	664	–	–	(664)	–	–	–
Lapse of share options	–	–	–	(756)	–	–	–	756	–	–	–
Final 2017 dividend declared	–	–	–	–	–	–	–	(100,536)	(100,536)	–	(100,536)
Interim 2018 special dividend	–	–	–	–	–	–	–	(55,561)	(55,561)	–	(55,561)
At 31 December 2018	3,859	212,502*	196*	(20,597)*	46,617*	11,285*	(5,626)*	970,489*	1,218,725	20,386	1,239,111

* These reserve accounts comprise the consolidated other reserves of RMB1,214,866,000 (2017: RMB1,087,965,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**315,739**	304,440
Adjustments for:			
Depreciation	13	**58,072**	56,317
Amortisation of intangible assets	14	**5,135**	5,013
Loss on disposal of fixed assets	6	**–**	112
Finance cost	7	**7,972**	2,121
Finance income	5	**(15,981)**	(2,659)
Write-down of inventories to net realisable value	6	**3,546**	8,375
Impairment of trade receivables	6	**122**	–
Exchange loss/(gain), net	6	**103**	(1,968)
Equity settled share-based transactions	6	**–**	380
		374,708	372,131
Increase in inventories	17	**(7,152)**	(128,374)
Decrease/(increase) in trade receivables		**3,770**	(100,072)
(Increase)/decrease in prepayments, other receivables and other assets		**(7,101)**	4,721
Increase in trade payables	22	**26,184**	32,663
Increase in other payables and accruals	23	**43,744**	38,887
		434,153	219,956
Cash generated from operations			
Income taxes paid		**(34,108)**	(70,378)
Net cash flows from operating activities		**400,045**	149,578
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,977**	2,057
Purchases of items of property, plant and equipment	13	**(63,687)**	(71,275)
Purchases of items of intangible assets	14	**(719)**	(292)
Proceeds from other financial investment, net		**–**	4,500
Purchase of financial assets at fair value through profit or loss	20	**(30,000)**	–
Interest received from investments in financial assets at fair value through profit or loss/structured bank deposits		**13,004**	602
Net cash flows used in investing activities		**(78,425)**	(64,408)

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans and other borrowings		**95,105**	145,000
Repayment of bank loans		**(159,093)**	(124,785)
Capital injection from a non-controlling shareholder		**–**	4,000
Interest paid	7	**(7,972)**	(2,121)
Dividends paid		**(156,097)**	–
Repayment for repurchase of shares		**–**	(62,664)
Net cash flows used in financing activities		**(228,057)**	(40,570)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**93,563**	44,600
Cash and cash equivalents at beginning of year		**517,070**	470,890
Effect of foreign exchange rate changes, net		**2,743**	1,580
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**613,376**	517,070

1. CORPORATE AND GROUP INFORMATION

Koradior Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 March 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group". The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

The principal activity of the Company is investment holding. The Group is principally engaged in design, promotion, marketing and sale of the self-owned branded ladies-wear in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follow:

			Percentage of ownership interest			
Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a Subsidiary	Principal activities
Fiona Kim Investments Limited ("Fiona Kim")	BVI	50,000 shares of US$1 each	100%	100%	–	Investment holding
La Kora International Limited ("La Kora International")	Hong Kong	HK$10,000	100%	–	100%	Trademark holding and brand promotion
Century Gold International Limited (創金國際有限公司)	Hong Kong	HK$1	100%	–	100%	Investment holding
Main Grand International Limited (萬安國際有限公司)	Hong Kong	HK$1	100%	–	100%	Investment holding
La Kordi Fashion (Shenzhen) Co., Ltd.* ("La Kordi Fashion") (拉珂帝服飾(深圳)有限公司)	PRC/Mainland China	HK$400,000,000	100%	–	100%	Trading of ladies-wear
Shenzhen Koradior* (深圳市珂萊蒂爾服飾有限公司)	PRC/Mainland China	RMB15,000,000	100%	–	100%	Trading of ladies-wear
Dongfang Susu* (東方素素創意設計(深圳)有限公司)	PRC/Mainland China	HK$5,000,000	100%	–	100%	Fashion creativity and design
Shenzhen Mondial * (深圳市蒙黛爾實業有限公司)	PRC/Mainland China	RMB30,000,000	65%	–	65%	Manufacture and trading of ladies-wear
Shanghai Kody Brand Management Limited* (上海珂蒂品牌管理有限公司)	PRC/Mainland China	RMB50,000,000	90%	–	90%	Brand promotion and trading of ladies-wear
Shenzhen De Kora Technology Development Limited* (深圳市迪珂萊科技開發有限公司)	PRC/Mainland China	HK$5,000,000	100%	–	100%	Trading of garments
Shenzhen Jin Yuexin Investment and Development Company Limited* ("Shenzhen Jin Yuexin") (深圳市金悅鑫投資發展有限公司)	PRC/Mainland China	RMB2,000,000	100%	–	100%	Investment holding

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

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

Classification and measurement

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) *(Continued)*

Classification and measurement *(Continued)*

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

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

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

Note:

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) *(Continued)*

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 18 to the financial statements.

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

Impact on reserves and retained profits

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 3, note 19 and note 23 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

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

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

(i) Sales of goods

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) *(Continued)*

(ii) Consideration received from customers in advance

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

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

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

(iii) Rights of return

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, ISIC-Int 15 Operating Leases – Incentives and ISIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB238,330,000 and lease liabilities of RMB238,330,000 will be recognised at 1 January 2019.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at these financial statements set out in this report are set out below:

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings situated on leasehold land	5%
Leasehold improvements	Over the lease terms
Motor vehicles	12%-19%
Furniture, fixtures and equipment	10%-32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Intangible assets acquired separately are measured on initial recognition as cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

The purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Trademarks

Trandemarks is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Customer relationships

Customer is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Operating leases

Leases that transfer substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes structured bank deposits with floating interest rates whose cash flow characteristics fail the SPPI criteria or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recognised at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in finance costs in the consolidated statement of profit or loss for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each year whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate are expensed.

Where the grant relates to a non-monetary asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of reduced depreciation charge.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Sale of goods

The Group operates a chain of retail stores and several online stores to sell womenswear. The Group also conducts wholesale to distributors. Sales of goods are recognised when the goods are delivered, that is when the customer has accepted the related risks and rewards of ownership. Experience is used to estimate and provide for sales returns at the time of sale. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts and sale returns.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Right-of-return assets (applicable from 1 January 2018)

A right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

Refund liabilities (applicable from 1 January 2018)

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates the Share Option Scheme (as defined in note 27 to the financial statement) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each year until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The functional currency of the Company is HKD, these financial statements are presented in RMB. The turnover of the Group is entirely contributed by the business in Mainland China and the presentation currency of RMB could provide uses of the financial statement with more comparable information with other companies in similar industries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the year, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Write-down of inventories to net realisable value

A write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the period in which the estimate has been changed. More details are given in notes 6 below.

4. OPERATING SEGMENT INFORMATION

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, retailing and wholesale of womenswear in the People's Republic of China. Accordingly, no segmental analysis is presented.

Information about major customers

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

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

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

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

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

5. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligation

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

Sale of apparel and accessories

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

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

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

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		**717,946**	642,703
Depreciation	13	**58,072**	56,317
Amortisation of intangible assets	14	**5,135**	5,013
Auditor's remuneration		**3,000**	1,500
Research and development costs^:			
Current year expenditures		**48,826**	42,895
Lease payments under operating leases in respect of retail outlets and office		**654,138**	567,345
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**452,196**	360,247
Equity settled share-based payment expense	27	**–**	380
Pension scheme contributions		**29,518**	23,314
		481,714	383,941
Exchange losses/(gains), net		**103**	(1,968)
Impairment loss on financial assets		**122**	–
Write-down of inventories to net realisable value*		**3,546**	8,375
Loss on disposal of property, plant and equipment		**–**	112

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank loans	7,972	2,121

8. DIRECTORS' REMUNERATION

Directors' remuneration during the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Fees	845	772
Other emoluments:		
Salaries, allowances and benefits in kind	3,040	2,916
Equity-settled share option expense	–	118
Pension scheme contributions	42	60
	3,082	3,094
	3,927	3,866

Certain directors were granted share options (the "Share Options") of the Company, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair values of such Share Options, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current year are included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 RMB'000	2017 RMB'000
Dr. Wong Wai Kong	–	95
Mr. Zhang Guodong	169	79
Mr. Zhong Ming	169	173
Mr. Zhou Xiaoyu	169	173
	507	520

Dr. Wong Wai Kong resigned as an independent non-executive director on 17 July 2017 and Mr. Zhang Guodong was appointed as an independent non-executive director of the Company on 17 July 2017 to fill the vacancy of Dr. Wong Wai Kong.

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive director:				
Ms. He Hongmei	–	1,543	21	1,564
Non-executive directors:				
Mr. Deng Shigang*	169	–	–	169
Mr. Yang Weiqiang	169	–	–	169
Chief executive:				
Mr. Jin Ming	–	1,497	21	1,518
	338	3,040	42	3,420

* Mr. Deng Shigang resigned as a non-executive director of the Company on 31 December 2018.

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2017					
Executive directors:					
Ms. He Hongmei	–	1,401	25	59	1,485
Mr. Deng Shigang*	–	222	10	59	291
Non-executive directors:					
Mr. Deng Shigang *	79	–	–	–	79
Mr. Yang Weiqiang	173	–	–	–	173
Chief executive:					
Mr. Jin Ming	–	1,293	25	–	1,318
	252	2,916	60	118	3,346

* Mr. Deng Shigang was redesignated as a non-executive director of the Company on July 2017. Before the designation, he was an executive director of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included a director and the chief executive (2017: a director and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**1,844**	1,605
Equity-settled share option expense	**–**	30
Pension scheme contributions	**63**	48
	1,907	1,683

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
Nil to HKD1,000,000	**3**	3

10. INCOME TAX

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

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

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

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

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

	2018	2017
	RMB'000	RMB'000
Current – Hong Kong	**–**	1,282
Current – Mainland China	**49,024**	69,583
Deferred (note 25)	**(5,599)**	(9,008)
Total tax charge for the year	**43,425**	61,857

10. INCOME TAX *(Continued)*

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2018		2017	
	RMB'000	%	RMB'000	%
Profit before tax	315,739		304,440	
Tax at the statutory tax rate	79,855	25.3	70,283	23.1
Entitles subject to a lower statutory tax rate*	(31,298)	(9.9)	(27,385)	(9.0)
Expensed not deductible for tax	531	0.2	761	0.2
Super-deduction of research and development costs	(3,782)	(1.2)	(2,828)	(0.9)
Adjustments in respect of current tax of previous periods	18	–	(10,160)	(3.3)
Income not subject to tax	–	–	(1,082)	(0.4)
Effect on opening deferred tax of changing in tax rate	–	–	1,514	0.5
PRC withholding tax on dividend	(1,899)	(0.6)	30,440	10.0
Tax losses not recognised	–	–	314	0.1
Tax charge at the effective rate	43,425	13.8	61,857	20.3

* Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. ("Dongfang Susu") is entitled to a reduced CIT rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

Shenzhen Koradior Fashion Co., Ltd. ("Shenzhen Koradior") obtained an approval from the tax bureau in 2017 to be taxed as a High and New-Technology Enterprise. Pursuant to the approval, Shenzhen Koradior was entitled to a preferential PRC CIT rate of 15% for a period of three years from 2016 to 2018. Consequently, the PRC CIT rate applicable to Shenzhen Koradior was reduced from 25% to 15%.

11. DIVIDENDS

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

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

12. EARNINGS PER SHARE

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings situated on leasehold land RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	126,063	183,230	5,242	12,291	326,826
Accumulated depreciation	(18,430)	(148,545)	(3,887)	(6,144)	(177,006)
Net carrying amount	107,633	34,685	1,355	6,147	149,820
At 1 January 2018, net of accumulated depreciation	107,633	34,685	1,355	6,147	149,820
Additions	1,490	59,628	708	1,861	63,687
Depreciation provided during the year	(6,064)	(49,409)	(363)	(2,236)	(58,072)
At 31 December 2018 net of accumulated depreciation	103,059	44,904	1,700	5,772	155,435
At 31 December 2018:					
Cost	128,008	222,009	6,125	17,943	374,085
Accumulated depreciation	(24,949)	(177,105)	(4,425)	(12,171)	(218,650)
Net carrying amount	103,059	44,904	1,700	5,772	155,435

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings situated on leasehold land RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
31 December 2017					
At 31 December 2016:					
Cost	105,265	146,473	4,195	12,817	268,750
Accumulated depreciation	(12,964)	(110,695)	(3,943)	(6,174)	(133,776)
Net carrying amount	92,301	35,778	252	6,643	134,974
At 1 January 2017, net of accumulated depreciation	92,301	35,778	252	6,643	134,974
Additions	20,798	46,881	1,317	2,279	71,275
Disposals	–	–	(14)	(98)	(112)
Depreciation provided during the year	(5,466)	(47,974)	(200)	(2,677)	(56,317)
At 31 December 2017, net of accumulated depreciation	107,633	34,685	1,355	6,147	149,820
At 31 December 2017:					
Cost	126,063	183,230	5,242	12,291	326,826
Accumulated depreciation	(18,430)	(148,545)	(3,887)	(6,144)	(177,006)
Net carrying amount	107,633	34,685	1,355	6,147	149,820

14. INTANGIBLE ASSETS

	Customer relationships RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
31 December 2018				
Cost at 1 January 2018, net of accumulated amortisation	14,508	11,435	253	26,196
Additions	–	–	719	719
Amortisation provided during the year	(1,707)	(3,267)	(161)	(5,135)
At 31 December 2018	12,801	8,168	811	21,780
At 31 December 2018:				
Cost	17,068	16,336	1,011	34,415
Accumulated amortisation	(4,267)	(8,168)	(200)	(12,635)
Net carrying amount	12,801	8,168	811	21,780

	Customer relationships RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation	16,215	14,702	–	30,917
Additions	–	–	292	292
Amortisation provided during the year	(1,707)	(3,267)	(39)	(5,013)
At 31 December 2017	14,508	11,435	253	26,196
At 31 December 2017:				
Cost	17,068	16,336	292	33,696
Accumulated amortisation	(2,560)	(4,901)	(39)	(7,500)
Net carrying amount	14,508	11,435	253	26,196

15. GOODWILL

	RMB'000
Cost and net carrying amount	
At 1 January 2017, 31 December 2017 and 31 December 2018	21,681

Impairment testing of goodwill

Goodwill is allocated to Shenzhen Mondial Industrial Co. Ltd. ("Shenzhen Mondial"), which was acquired on 13 July 2016. Shenzhen Mondial is engaged in the design, manufacture and sale of high-end ladies wear in the PRC under the brand name of "CADIDL".

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2017: 3%). The growth rate used does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted using a discount rate of 14% (2017: 11%). The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

Based on the results of impairment test conducted by the management, no impairment loss on goodwill has been recognised during the year ended 31 December 2018.

16. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	2018 **RMB'000**	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Qianhai Ruilin Investment Management Co., L.P.	**43,277**	–
Available-for-sale investments		
Unlisted equity investment, at cost	**–**	30,000

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

17. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	59,117	61,454
Work in progress	3,237	3,168
Finished goods	398,280	392,406
	460,634	457,028

18. TRADE RECEIVABLES

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

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in the Mainland China. Proceeds from the Group's sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on the Group's behalf. Following the completion of the reconciliation of the sales in the past month with the department store and shopping mall, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales is made net of the lease rental payable to the department stores and the shopping malls and is generally expected within 60 days from the date of revenue recognition.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	163,697	203,468
1 to 2 months	78,994	72,153
2 to 3 months	27,200	25,349
Over 3 months	34,226	7,829
	304,117	308,799

18. TRADE RECEIVABLES *(Continued)*

The movement in the loss allowance for impairment of trade receivables is as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	–	–
Effect of adoption of IFRS 9	790	–
At beginning of year (restated)	790	–
Impairment losses, net	122	–
At end of year	912	–

Impairment under IFRS 9 for the year ended 31 December 2018

As at 31 December 2018, the allowance for credit losses is related to individually impaired receivables amounting to RMB912,000 (2017: Nil). The management considers that such receivables is not recoverable since the customers are in severe financial liabilities. As a consequence, allowance for expected credit losses of RMB912,000 (2017: Nil) has been recognised in respect of such receivables.

As at 31 December 2018, trade receivables that were not individually impaired related to a large number of independent customers including owners of department stores and shopping malls in Mainland China with no recent history of material defaults, the probability of default and the loss given default were estimated to be minimal.

Impairment under IAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that are not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	275,621
Less than 1 month past due	25,349
1 to 3 months past due	6,527
Over 3 months past due	1,302
	308,799

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

18. TRADE RECEIVABLES *(Continued)*

Impairment under IAS 39 for the year ended 31 December 2017 *(Continued)*

Receivables that were past due but not impaired primarily related to a number of independent customers including owners of department stores and shopping malls in Mainland China with no recent history of material defaults. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As part of its normal business, the Group entered into trade receivable factoring arrangements and transferred certain trade receivables amounting to RMB10,545,000 to banks for cash (note 24). In the opinion of the directors, the Group retained substantially all risks and rewards of the transferred trade receivables, and accordingly, it continued to recognise the full carrying amounts of the transferred trade receivables and the associated liabilities which were the collateralised bank advances.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	42,513	42,869
Deposits and other receivables	40,375	33,336
Right-of-return assets	1,021	–
Loans to employees	2,914	1,052
	86,823	77,257
Less: Non-current position included in prepayments, other receivables and other assets	(21,736)	(10,617)
	65,087	66,640

None of the above assets is either past due or impaired. Deposits and other receivables mainly represent deposits paid for promotion activity, deposits paid to the department stores and shopping malls for leases and loans to employees. None of the above assets is either past due or impaired. The expected credit losses are estimated with reference to the historical loss record of the Group. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2018, the probability of default and the loss given default of prepayments, other receivables and other assets were estimated to be minimal.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Financial assets at fair value through profit or loss	**30,000**	–

The above unlisted investments at 31 December 2018 were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash and bank balances denominated in		
RMB	**547,371**	453,744
Hong Kong Dollor ("HK$")	**2,766**	48,376
EUR ("€")	**1,022**	–
US Dollor ("US$")	**1,316**	1,414
KRW (" ₩ ")	**143**	887
	552,618	504,421
Time deposits	**60,758**	12,649
Cash and cash equivalents	**613,376**	517,070

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods within one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. TRADE PAYABLES

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

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

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

23. OTHER PAYABLES AND ACCRUALS

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

Notes:

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

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

(b) Other payables are non-interest-bearing and have an average term of three months.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	HIBOR+1.3	2019	43,810	HIBOR+1.5 5.22	2018	93,932
Bank loans – secured			–	5.22-6.09	2018	65,000
Current portion of long term bank loans – unsecured	HIBOR+1.3	2019	21,905			–
Other borrowings	–	2019	10,545			–
			76,260			158,932
Non-current						
Bank loans – unsecured	HIBOR+1.3	2020	21,905			–
			21,905			–
Analysed into:						
Bank loans repayable						
Within one year			65,715			158,932
In the second year			21,905			–
			87,620			158,932
Other borrowings repayable						
Within one year			10,545			–
			98,165			158,932

Notes:

(a) The Group's overdraft facilities amounting to HK$170,000,000 (2017: HK$170,000,000), of which HK$100,000,000 (2017: HK$16,667,000) had been utilised as at the end of the reporting period.

(b) None of bank loans at 31 December 2018 (2017: RMB65,000,000) were secured by certain of the Group's buildings situated in Mainland China (2017: certain buildings with a net carrying amount of approximately RMB49,836,000).

(c) Except for the HIBOR+1.3% unsecured bank loan which is denominated in Hong Kong dollars, all borrowings are in Renminbi ("RMB").

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of financial assets RMB'000	Tax loss RMB'000	Total RMB'000
At 1 January 2017	10,853	–	10,853
(Charged)/credited to the statement of profit or loss during the year	(2,179)	8,362	6,183
At 31 December 2017 and 1 January 2018	8,674	8,362	17,036
Effect of adoption of IFRS 9	119	–	119
At 1 January 2018(restated)	8,793	8,362	17,155
Credited/(charged) to the statement of profit or loss during the year (note 10)	1,935	(1,238)	697
At 31 December 2018	10,728	7,124	17,852

25. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Withholding tax on dividend RMB'000	Fair value adjustment on property, plant and equipment arising from business combinations RMB'000	Fair value adjustment on intangible assets arising from business combinations RMB'000	Fair value adjustment on inventories arising from business combinations RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2017	–	159	7,729	5,919	–	13,807
Charged/(credited) to the statement of profit or loss during the year	1,899	(56)	(1,243)	(3,425)	–	(2,825)
At 31 December 2017 and 1 January 2018	1,899	103	6,486	2,494	–	10,982
Effect of adoption of IFRS 9	–	–	–	–	1,992	1,992
At 1 January 2018 (restated)	1,899	103	6,486	2,494	1,992	12,974
(Credited)/charged to the statement of profit or loss during the year (note 10)	(1,899)	(36)	(1,055)	(1,912)	–	(4,902)
At 31 December 2018	–	67	5,431	582	1,992	8,072

The Group has not recognised deferred tax assets of RMB2,436,000 (2017: RMB938,000) in respect of cumulative tax losses of RMB9,745,000 at 31 December 2018 (2017: RMB3,752,000) as it is not probable that the foreseeable future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unrecognised tax losses are losses that can be carried forward for 5 years from the year in which the respective loss arose.

In addition to the deferred tax liabilities recognised in respect of the PRC dividend withholding tax disclosed in note 25 above, deferred tax liabilities of RMB84,036,000 (2017: RMB52,481,000) in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries at 31 December 2018 were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of RMB840,360,000 (2017: RMB524,810,000) of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

26. SHARE CAPITAL

	2018	2017
Issued and fully paid:		
486,337,000 (31 December 2017: 486,337,000) ordinary shares of HK$0.10 each (HK$'000)	4,863	4,863
Equivalent to RMB'000	3,859	3,859

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	486,337,000	3,859
At 31 December 2018	486,337,000	3,859

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

The Company has a share option scheme, which was adopted on 6 June 2014, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. On 10 July 2014, 10,000,000 share options were granted to certain directors and employees of the Group to subscribe for shares of the Company at an exercise price of HK$4.42 per share. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

No equity settled share-based payment expenses was recognised by the Group in 2018 (2017: RMB380,000).

The following share options were outstanding under the Share Option Scheme of the Company during the year:

	2018		2017	
	The average exercise price	**Number of options '000**	The average exercise price	Number of options '000
At 1 January	**HK$4.42**	**7,960**	HK$4.42	7,960
Lapsed during the year		**(500)**		–
At 31 December		**7,460**		7,960

No share option were exercised during the year.

28. RESERVES

The amount of the Group's reserves and the movements therein during the year ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity on page 85 of the financial statements.

Share premium

Under the Companies Law of 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.

Capital redemption reserve

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

Capital reserve

The capital reserves comprise the following:

(i) On 15 November 2012, La Kordi Fashion acquired a 100% equity interest in Shenzhen Koradior from Shenzhen Jinhexin, a company under the control of a Controlling Shareholder at 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; and

(ii) The portion of the grant date fair value of RMB4,558,000 (2017: RMB5,314,000) of share options granted to employees of the Company that has been in accordance with the accounting policy adopted for share-based payments in note 27 remained unexercised as at 31 December 2018.

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 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.

During the year ended 31 December 2018, RMB664,000 (2017: RMB29,903,000) was transferred from retained earnings to statutory reserve.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

2018

	Interest-bearing bank and other borrowings RMB'000	Interest payables RMB'000
At 1 January 2018	158,932	–
Changes from financing cash flows	(63,988)	(7,972)
Interest paid	–	7,972
Foreign exchange movement	3,221	–
At 31 December 2018	98,165	–

2017

	Interest-bearing bank and other borrowings RMB'000	Interest payables RMB'000
At 1 January 2017	142,765	–
Changes from financing cash flows	20,215	(2,121)
Interest paid	–	2,121
Foreign exchange movement	(4,048)	–
At 31 December 2017	158,932	–

30. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases a number of properties under operating leases. The leases typically run for an initial period for 1 to 7 years, at the end of which all terms are renegotiated.

In addition to the minimum rental payments disclosed below, the Group has a commitment to pay rent with reference to turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	111,738	61,737
In the second to fifth years, inclusive	144,072	63,946
After five years	479	3,722
	256,289	129,405

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year ended 31 December 2018:

	Note	2018 RMB'000	2017 RMB'000
Processing fees	(i)	**74,007**	58,548

Notes:

(i) Shenzhen Yingjia Fashion Co., Ltd.* ("Yingjia Fashion")（深圳市贏家服飾有限公司）is 53% and 47% owned by Ms. Chen Lingmei and Mr. Jin Jingquan. Mr. Jin Ming is a director of the Company.

During the year ended 31 December 2018, the Group entered into a processing agreement with Yingjia Fashion and two of its subsidiaries (collectively referred to as "Yingjia Fashion Group"), pursuant to which Yingjia Fashion Group provided processing and manufacturing services to the Group. The VAT-inclusive processing fees incurred to Yingjia Fashion Group amounted to RMB74,007,000 (2017: RMB58,548,000) for the year ended 31 December 2018.

(b) Outstanding balances with related parties

	Due to related companies	
	2018 **RMB'000**	2017 RMB'000
Current	**18,768**	10,797

The Group had an outstanding balance due to Yingjia Fashion Group of RMB18,768,000 (2017: RMB10,797,000) as at the end of the reporting period. This balance is unsecured, interest-free and is repayable on demand.

(c) Other transactions with related parties

(i) During the year ended 31 December 2018, the Group entered into a lease agreement in respect of certain properties with Mr. Jin Ming. The amount of rental incurred in the year was RMB768,000 (2017: RMB768,000). No amounts were outstanding as at 31 December 2018 (2017: Nil).

(ii) During the year ended 31 December 2018, the Group entered into a lease agreement in respect of certain properties with Mr. Wang Sumin, brother in law of Mr. Jin Ming. The amount of rental incurred in the year was RMB614,000 (2017: RMB614,000). No amounts were outstanding as at 31 December 2018 (2017: Nil).

31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(d) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	5,363	4,581
Pension scheme contributions	144	156
Equity-settled share option expense	–	238
	5,507	4,975

Further details of directors' emoluments are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

2018

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
Financial assets	**Held for trading RMB'000**	**Equity instruments RMB'000**	**Financial assets at amortised cost RMB'000**	**Total RMB'000**
Equity investments at fair value through other comprehensive income	–	43,277	–	43,277
Trade receivables	–	–	305,029	305,029
Financial assets included in prepayments, other receivables and other assets (note 19)	–	–	43,289	43,289
Financial assets at fair value through profit or loss	30,000	–	–	30,000
Cash and cash equivalents	–	–	613,376	613,376
	30,000	43,277	961,694	1,034,971

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2017

Financial assets	**Loans and receivables** RMB'000	**Available-for-sale financial assets** RMB'000	**Total** RMB'000
Available-for-sale investments	–	30,000	30,000
Trade receivables	308,799	–	308,799
Financial assets included in prepayments, other receivables and other assets (note 19)	34,388	–	34,388
Cash and cash equivalents	517,070	–	517,070
	860,257	30,000	890,257

Financial liabilities	**Financial liabilities at amortised cost** **2018** RMB'000	2017 RMB'000
Trade payables	**102,682**	76,498
Financial liabilities included in other payables and accruals (note 23)	**17,704**	28,066
Interest-bearing bank and other borrowings	**98,165**	158,932
	218,551	263,496

33. FAIR VALUE MEASUREMENT

The carrying amounts and fair values of the Group's instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**43,277**	30,000	**43,277**	30,000
Financial assets at fair value through profit or loss	**30,000**	–	**30,000**	–
	73,277	30,000	**73,277**	30,000
Financial liabilities				
Interest-bearing bank and other borrowings	**98,165**	158,932	**97,158**	158,932

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

33. FAIR VALUE MEASUREMENT *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments are based on a recent market transaction.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Equity investments designated at fair value through other comprehensive income	–	43,277	–	43,277
Financial assets at fair value through profit or loss	–	30,000	–	30,000
	–	73,277	–	73,277

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/(decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
2018			
Hong Kong dollar	100	(429)	(429)
Hong Kong dollar	(100)	429	429
2017			
RMB	100	(1,187)	(1,187)
Hong Kong dollar	100	(53)	(53)
RMB	(100)	1,187	1,187
Hong Kong dollar	(100)	53	53

Foreign currency risk

Most of the Group's turnover and substantially most of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit rating of the banks, management does not expect any counterparty to fail to meet its obligations.

The Group's trade and other receivables primarily comprise of amounts receivable from the owners of department stores and shopping malls in the PRC with no recent history of material defaults. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each department stores and shopping malls. The Group has worked with a large number of department stores and shopping malls and there is no significant concentration of credit risk. The Group performed credit evaluation which focuses on the debtor's past history of making payments and current ability to pay.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Non-current rental deposits were paid to owners of department stores and shopping malls. The board of directors consider that the amounts are fully recoverable considering their creditworthiness.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	304,117	304,117
Financial assets included in prepayments, other receivables and other assets					
– Normal**	43,289	–	–	–	43,289
Cash and cash equivalents					
– Not yet past due	613,376	–	–	–	613,376
	656,665	–	–	304,117	960,782

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	At 31 December Contractual undiscounted cash outflow				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
31 December 2018					
Interest-bearing bank borrowings and other borrowings	–	77,825	22,949	–	100,774
Trade payables	–	102,682	–	–	102,682
Financial liabilities included in other payables and accruals	–	17,704	–	–	17,704
	–	198,211	22,949	–	221,160
31 December 2017					
Interest-bearing bank borrowings and other borrowings	–	167,228	–	–	167,228
Trade payables	–	76,498	–	–	76,498
Financial liabilities included in other payables and accruals	–	28,066	–	–	28,066
	–	271,792	–	–	271,792

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the years are as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	98,165	158,932
Trade payables	102,682	76,498
Financial liabilities included in other payables and accruals	17,704	28,066
Less: Cash and cash equivalents	(613,376)	(517,070)
Net debt	(394,825)	(253,574)
Equity attributable to owners of the parent	272,759	253,517
Capital and net debt	(122,066)	(57)
Gearing ratio	–	–

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year is as follows:

	2018 RMB'000	2017 RMB'000
Non-Current Assets		
Investments in a subsidiary	**30,648**	17,945
Total non-current assets	**30,648**	17,945
Current Assets		
Cash and cash equivalents	**1,009**	798
Prepayments, other receivables and other assets	**375,954**	163,889
Total current assets	**376,963**	164,687
Current Liabilities		
Other payables and accruals	**3,209**	2,561
Total current liabilities	**3,209**	2,561
Net Current Assets	**373,754**	162,126
Total Assets Less Current Liabilities	**404,402**	180,071
Net assets	**404,402**	180,071
Equity		
Share capital	**3,859**	3,859
Reserves (note)	**400,543**	176,212
	404,402	180,071

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses) RMB'000	Total RMB'000
At 1 January 2017	275,166	119	4,934	42,025	(68,147)	254,097
Loss for the year	–	–	–	–	(1,168)	(1,168)
Other comprehensive loss for the year:						
Exchange differences on translation of financial statements	–	–	–	(14,510)	–	(14,510)
Total comprehensive income for the year	–	–	–	(14,510)	(1,168)	(15,678)
Repurchase and cancellation of shares	(62,664)	77	–	–	–	(62,587)
Equity settled share-based transactions	–	–	380	–	–	380
At 31 December 2017	212,502	196	5,314	27,515	(69,315)	176,212

	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
At 31 December 2017	212,502	196	5,314	27,515	(69,315)	176,212
Profit for the year	–	–	–	–	364,390	364,390
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	16,038	–	16,038
Total comprehensive income for the year	–	–	–	16,038	364,390	380,428
Lapse of share options	–	–	(756)	–	756	–
Final 2017 dividend declared	–	–	–	–	(100,536)	(100,536)
Interim 2018 special dividend	–	–	–	–	(55,561)	(55,561)
At 31 December 2018	212,502	196	4,558	43,553	139,734	400,543

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2019.