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PORTICO INTERNATIONAL HOLDINGS LTD

Portico International Holdings Limited

寶國國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 589)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS OF ANNUAL RESULTS

- Total revenue was RMB 1,594.6 million, decreased by 15.2%
- Gross profit margin stood at 80.4% (FY2014: 80.8%)
- Loss attributable to shareholders was RMB 72.7 million (FY2014: profit of RMB 73.2 million)
- Loss per share was RMB 0.13
- No final dividend was recommended

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of Portico International Holdings Limited (the “Company”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 with comparative figures for the same period ended 2014 as follows:

**For identification purpose only*

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015
(Expressed in Renminbi Yuan, except share and per share data)

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|------|-----------------|-----------------|
| Revenue | 2 | 1,594,575 | 1,879,430 |
| Cost of sales | | (312,118) | (361,364) |
| Gross profit | | 1,282,457 | 1,518,066 |
| Other revenue | 3(a) | 10,014 | 5,199 |
| Other net expense | 3(b) | (1,228) | (1,177) |
| Distribution costs | | (985,801) | (1,066,623) |
| Administrative expenses | | (111,613) | (112,782) |
| Other operating expenses | | (217,247) | (172,488) |
| (Loss)/profit from operations | | (23,418) | 170,195 |
| Finance income | | 25,476 | 32,602 |
| Finance costs | | (24,601) | (33,701) |
| Net finance income/(costs) | 4(a) | 875 | (1,099) |
| (Loss)/profit before taxation | 4 | (22,543) | 169,096 |
| Income tax | 5 | (50,620) | (96,486) |
| (Loss)/profit for the year | | (73,163) | 72,610 |
| Other comprehensive income for the year, (after tax and reclassification adjustment) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange difference on translation of financial statements of overseas subsidiaries | | (8,954) | 5,525 |
| Other comprehensive income for the year | | (8,954) | 5,525 |
| Total comprehensive income for the year | | (82,117) | 78,135 |
| (Loss)/profit attributable to: | | | |
| Equity shareholders of the Company | | (72,730) | 73,238 |
| Non-controlling interests | | (433) | (628) |
| (Loss)/profit for the year | | (73,163) | 72,610 |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Company | | (82,132) | 78,588 |
| Non-controlling interests | | 15 | (453) |
| Total comprehensive income for the year | | (82,117) | 78,135 |
| (Loss)/earnings per share (RMB) | | | |
| - Basic | 6 | (0.13) | 0.13 |
| - Diluted | 6 | (0.13) | 0.13 |

Consolidated Balance Sheet
at 31 December 2015
(Expressed in Renminbi Yuan)

| | <i>Note</i> | <i>At 31 December</i> 2015 RMB'000 | <i>At 31 December</i> 2014 RMB'000 |
|--|-------------|--|--|
| Non-current assets | | | |
| Lease prepayments | | 22,770 | 23,563 |
| Property, plant and equipment | | 438,904 | 456,270 |
| Intangible assets | | - | 8,422 |
| Interest in an associate | | 2,951 | - |
| Deferred tax assets | | 183,300 | 159,280 |
| | | <u>647,925</u> | <u>647,535</u> |
| Current assets | | | |
| Inventories | | 743,502 | 721,551 |
| Trade and other receivables, deposits and prepayments | 8 | 346,713 | 364,283 |
| Pledged bank deposits | | 110,928 | 284,945 |
| Fixed deposits with banks | | 351,772 | 511,115 |
| Trading securities | | 1,590 | - |
| Cash and cash equivalents | | 507,958 | 519,176 |
| | | <u>2,062,463</u> | <u>2,401,070</u> |
| Current liabilities | | | |
| Trade payables, other payables and accruals | 9 | 282,587 | 219,126 |
| Interest-bearing borrowings | 11 | 301,015 | 602,106 |
| Current taxation | | 18,593 | 50,195 |
| | | <u>602,195</u> | <u>871,427</u> |
| Net current assets | | <u>1,460,268</u> | <u>1,529,643</u> |
| Total assets less current liabilities | | <u>2,108,193</u> | <u>2,177,178</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 5,745 | 17,443 |
| Interest-bearing borrowings | 11 | 5,515 | - |
| Trade payables, other payables and accruals | 9 | 83,512 | 62,887 |
| | | <u>94,772</u> | <u>80,330</u> |
| Net assets | | <u>2,013,421</u> | <u>2,096,848</u> |
| Capital and reserves | | | |
| Share capital | | 1,474 | 1,474 |
| Reserves | | 1,991,878 | 2,074,010 |
| Total equity attributable to equity shareholders of the Company | | <u>1,993,352</u> | <u>2,075,484</u> |
| Non-controlling interests | | <u>20,069</u> | <u>21,364</u> |
| Total equity | | <u>2,013,421</u> | <u>2,096,848</u> |

NOTES

1 Significant accounting policies

Portico International Holdings Limited (formerly known as Ports Design Limited) (the “Company”) is a company incorporated in Bermuda with limited liability. Pursuant to the resolution passed at the Annual General Meeting on 29 May 2015, the name of the Company has been changed from Ports Design Limited to Portico International Holdings Limited, with effect from 4 June 2015. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”).

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective form includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis. The financial statements are presented in Renminbi (“RMB”). Items included in the financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”). The Company has its functional currency in RMB. Most of the companies comprising the Group are operating in the People’s Republic of China (“PRC”) and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group. Except for share and per share data, all financial information presented in Renminbi has been rounded to the nearest thousand.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's results and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the manufacturing and sales of garments. Revenue represents revenue arising from the sales of garments net of value added tax.

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following one reportable segment.

- Retail: this segment primarily derives revenue from retail sales in the PRC. The products are either sourced externally or are manufactured in the Group's manufacturing facilities located in the PRC.

(i) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets represent inventories only.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is gross profit less selling and distribution costs directly attributable to the segment.

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results and assets (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

| | <i>Retail</i> | | <i>Others(*)</i> | | <i>Total</i> | |
|-----------------------------------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | <i>2015</i> | <i>2014</i> | <i>2015</i> | <i>2014</i> | <i>2015</i> | <i>2014</i> |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue from external customers | <u>1,477,794</u> | <u>1,723,631</u> | <u>116,781</u> | <u>155,799</u> | <u>1,594,575</u> | <u>1,879,430</u> |
| Reportable segment revenue | <u><u>1,477,794</u></u> | <u><u>1,723,631</u></u> | <u><u>116,781</u></u> | <u><u>155,799</u></u> | <u><u>1,594,575</u></u> | <u><u>1,879,430</u></u> |
| Reportable segment profit | <u><u>426,834</u></u> | <u><u>649,628</u></u> | <u><u>31,956</u></u> | <u><u>45,632</u></u> | <u><u>458,790</u></u> | <u><u>695,260</u></u> |
| Distribution costs | <u><u>823,667</u></u> | <u><u>822,806</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>823,667</u></u> | <u><u>822,806</u></u> |
| Reportable segment assets | <u><u>687,106</u></u> | <u><u>668,127</u></u> | <u><u>56,396</u></u> | <u><u>53,424</u></u> | <u><u>743,502</u></u> | <u><u>721,551</u></u> |

(*) Revenue from segments below the quantitative thresholds are mainly attributable to three operating segments of the Group. Those segments include OEM sales, export sales and wholesales. None of those segments met any of the quantitative thresholds for determining reportable segments.

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit and assets

| | 2015 RMB'000 | 2014 RMB'000 |
|--|------------------|------------------|
| Revenue | | |
| Reportable segment revenue | 1,477,794 | 1,723,631 |
| Other revenue | 116,781 | 155,799 |
| | <hr/> | <hr/> |
| Consolidated revenue | <u>1,594,575</u> | <u>1,879,430</u> |
| | | |
| | 2015 RMB'000 | 2014 RMB'000 |
| Profit | | |
| Reportable segment profit | 426,834 | 649,628 |
| Other profit | 31,956 | 45,632 |
| | <hr/> | <hr/> |
| | 458,790 | 695,260 |
| Other revenue and other net expense | 8,786 | 4,022 |
| Distribution costs | (162,134) | (243,817) |
| Administrative expenses | (111,613) | (112,782) |
| Other operating expenses | (217,247) | (172,488) |
| Net finance income/(cost) | 875 | (1,099) |
| | <hr/> | <hr/> |
| Consolidated (loss)/profit before taxation | <u>(22,543)</u> | <u>169,096</u> |
| | | |
| | 2015 RMB'000 | 2014 RMB'000 |
| Assets | | |
| Reportable segment assets | 687,106 | 668,127 |
| Other inventories | 56,396 | 53,424 |
| | <hr/> | <hr/> |
| Consolidated inventories | 743,502 | 721,551 |
| Non-current assets | 647,925 | 647,535 |
| Trade and other receivables, deposits and prepayments | 346,713 | 364,283 |
| Pledged bank deposits | 110,928 | 284,945 |
| Fixed deposits with banks | 351,772 | 511,115 |
| Trading securities | 1,590 | - |
| Cash and cash equivalents | 507,958 | 519,176 |
| | <hr/> | <hr/> |
| Consolidated total assets | <u>2,710,388</u> | <u>3,048,605</u> |

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's sales revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets and interest in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments, and property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

The Group's business is mainly based and operated in Mainland China.

| | <i>Sales revenues from external customers</i> | | <i>Specified non-current assets</i> | |
|----------------|---|------------------|-------------------------------------|----------------|
| | <i>2015</i> | <i>2014</i> | <i>2015</i> | <i>2014</i> |
| | RMB '000 | RMB '000 | RMB '000 | RMB '000 |
| Mainland China | 1,465,319 | 1,733,270 | 449,380 | 435,811 |
| Others | 129,256 | 146,160 | 15,245 | 52,444 |
| | <u>1,594,575</u> | <u>1,879,430</u> | <u>464,625</u> | <u>488,255</u> |

3 Other revenue and other net expense

(a) Other revenue

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Royalty income | 37 | 47 |
| Design and decoration income | 4,450 | 2,827 |
| Insurance compensation | 1,153 | 1,135 |
| Government subsidies (see note (i) below) | 1,387 | 176 |
| Others | 2,987 | 1,014 |
| | <u>10,014</u> | <u>5,199</u> |

- (i) The subsidy received from local government authorities is unconditional. The Group may not receive government subsidies in the future.

(b) Other net expense

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Net realised and unrealised losses on trading securities | (565) | - |
| Net loss on sale of property, plant and equipment | (32) | (143) |
| Share of losses of an associate | (244) | - |
| Others | (387) | (1,034) |
| | <u>(1,228)</u> | <u>(1,177)</u> |

4 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after (crediting) /charging:

(a) Net finance (income) / costs

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Interest income | (25,476) | (32,602) |
| Finance income | (25,476) | (32,602) |
| Interest expense on bank loans repayable within five years | 8,015 | 12,139 |
| Net foreign exchange loss | 13,457 | 16,956 |
| Others | 3,129 | 4,606 |
| Finance costs | 24,601 | 33,701 |
| Net finance (income)/costs | (875) | 1,099 |

(b) Other items

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Operating leases charges in respect of properties | | |
| - Minimum lease payments | 212,629 | 234,848 |
| - Contingent rents | 232,466 | 274,073 |
| | 445,095 | 508,921 |
| Auditors' remuneration - audit services | 2,613 | 2,694 |
| Depreciation | 105,370 | 114,650 |
| Impairment loss | | |
| - trade and other receivables (see note 8) | - | 5,000 |
| - property, plant and equipment | 28,716 | - |
| Amortisation- lease prepayments | 793 | 718 |
| Cost of inventories# | 500,649 | 533,852 |

Cost of inventories includes RMB 128,473 thousand (2014: RMB 126,818 thousand) relating to personnel expenses, depreciation and amortisation expenses.

5 Income tax in the consolidated statement of comprehensive income

Taxation in the consolidated statement of comprehensive income represents:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Current tax – PRC Income Tax | | |
| Provision for the year | 69,273 | 118,081 |
| Over -provision in respect of prior years | (152) | (662) |
| | <u>69,121</u> | <u>117,419</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | (18,501) | (20,933) |
| | <u>50,620</u> | <u>96,486</u> |

- (i) Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in British Virgin Islands and Samoa Islands are not subject to any income tax in their local jurisdictions.
- (ii) No provision for Hong Kong Profits tax has been made during the years ended 31 December 2015 and 2014 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong Profits tax purposes.
- (iii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2015 (2014: 25%) under the Enterprise Income Tax law (“EIT law”) which was enacted on 16 March 2007.

6 (Loss)/earnings per share

(a) (Loss) / earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB 72,730 thousand (2014: profit of RMB 73,238 thousand) and the weighted average number of 554,453,492 (2014: 554,453,492) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the loss attributable to equity shareholders of the Company of RMB 72,730 thousand (2014: profit of RMB 73,238 thousand) and the weighted average number of 554,453,492 (2014: 554,453,492) ordinary shares in issue.

The calculation of diluted earnings per share amount for the year ended 31 December 2014 did not include the potential effect of the deemed issue of shares under the Company's share option scheme for nil consideration into ordinary shares as it had an anti-dilutive effect on the basic earnings per share amount during the year ended 31 December 2014.

As disclosed in note 13, no share option was outstanding and exercisable as at 31 December 2015. There were no dilutive potential ordinary shares after all outstanding share options lapsed on 11 March 2015.

7 Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2015 and 2014.

| Name of party | Relationship |
|---|---|
| Ports International Enterprises Limited | Ultimate parent company |
| CFS International Inc. | Immediate parent company |
| Ports International Retail Corporation | Fellow subsidiary company |
| Ports International Group Limited | Fellow subsidiary company |
| PCD Stores (Group) Limited and its subsidiaries (i) (referred as “PCD Group”) | Company of which Alfred Chan is a director |
| PORTS 1961 S.P.A | Fellow subsidiary company |
| Alfred Chan | Director of the Company and 50% equity interest holder of ultimate parent company |
| Edward Tan | 50% equity interest holder of ultimate parent company |
| Ports of Knightsbridge Limited (referred as “PKL”) | Company over which Edward Tan and Alfred Chan have significant influence |
| Beijing Scitech Holdings Limited and its subsidiaries (referred as “Beijing Scitech Group” and formerly known as “Beijing Aishang”) | Company controlled by Alfred Chan and Edward Tan |
| Tia Cibani | Close member of the family of Alfred Chan |
| Fiona Cibani | Close member of the family of Alfred Chan |

- (i) Shareholders of PCD Group, Bluestone Global Holdings Limited (“Bluestone”, which is wholly owned by Ports International Enterprises Limited) and Portico Global Limited (“PGL”), entered into an agreement (“the agreement”) with WFJ International (“王府井国际”) on 31 January 2013, pursuant to which Bluestone and PGL agreed to sell 39.53% of the entire issued share capital of PCD Group to WFJ International. Upon completion of the transaction on 28 June 2013, PCD Group ceased to be a fellow subsidiary company of the Group.

Edward Tan resigned as director and Alfred Chan resigned as Chairman of PCD Group on 2 July 2013. Alfred Chan resigned as an executive director of PCD Group on 24 July 2015. PCD Group ceased to be a related party of the Group thereafter.

7 Related party transactions (continued)

The Group also has a related party relationship with its directors and senior officers.

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2015 and 2014 are as follows:

(a) Transactions with key management personnel

| | 2015 RMB'000 | 2014 RMB'000 |
|------------------------------|-----------------|-----------------|
| Short-term employee benefits | 2,186 | 2,314 |

(b) Contribution to defined contribution retirement plans

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 14% (2014: 14%) of social average salary level of employees in Xiamen or 14% (2014: 14%) of employees' relevant income, subject to a cap of RMB 15 thousand per month (2014: RMB 14 thousand). The Group has no obligation for the payment of retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution plan as mentioned above. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$ 30 thousand (before 1 June 2014: HK\$ 25 thousand; after 1 June 2014: HK\$ 30 thousand). Contributions to the scheme vest immediately.

Contribution to defined contribution plans participated by the Group amounted to RMB15,804 thousand for the year ended 31 December 2015 (2014: RMB15,570 thousand).

At 31 December 2015 and 2014, there was no material outstanding contribution to post-employment benefit plans.

7 Related party transactions (continued)

(c) Sales, purchases and rental charges for concession counters

| | <i>2015</i> | <i>2014</i> |
|--|-------------|-------------|
| | RMB'000 | RMB'000 |
| Sales of goods to: | | |
| Ports International Retail Corporation | 6,022 | 6,448 |
| Purchases of goods from: | | |
| Ports International Retail Corporation | 13,449 | 4,691 |
| Rental fee charged by: | | |
| PCD Group (i) | 13,910 | 26,773 |
| Commission fee charged by: | | |
| Beijing Scitech Group | 28 | 117 |
| Rental fee charged to: | | |
| Beijing Scitech Group | 188 | - |

- (i) The Group leased a number of concession counters located within shopping arcades in the PRC owned by PCD Group. Proceeds from the Group's sales made in these concession counters totaling RMB 64,628 thousand during the period from 1 January 2015 to 24 July 2015 (2014: RMB 123,759 thousand) were collected by PCD Group. Settlement in respect of these concession sales was made net of the lease rental payable to these related parties.

7 Related party transactions (continued)

(d) Subscription of convertible bonds

Ms. Tia Cibani is the holder of entire issued share capital of TIA Cibani LLC and TC Brands LLC (together referred as “the Issuers”).

On 5 September 2013, Cpax Ltd, a wholly-owned subsidiary of the Company, entered into a Subscription Term Sheet (“the Subscription”) with the Issuers and Ms. Tia Cibani, pursuant to which Cpax Ltd agreed to conditionally subscribe for convertible bonds up to the principal amount of USD 500,000 with zero coupon from each of the Issuers.

On 4 November 2013, Zero Coupon Redeemable and Convertible Bonds Subscription Agreements (“the Agreements”) were signed between Ms Tia Cibani, Cpax Ltd and each of the Issuers respectively.

Pursuant to the Agreements, Cpax Ltd. agreed to subscribe for the bonds according to the following schedule:

- (i) one third to be subscribed upon the First Closing Date (date on which the first completion under the Agreements in respect of the subscription occurs, which meant 4 November 2013);
- (ii) one third to be subscribed within 6 months after the First Closing Date, provided that the Issuers have achieved the First Sales Target (the sales amount in the sum of USD 160,000 for E-store fall winter 2013 and wholesale spring summer 2014 collections);
- (iii) one third to be subscribed within 12 months after the First Closing Date, provided that the Issuers have achieved the Second Sales Target (the sales amount in the sum of USD192,000 for E-store spring summer 2014 and wholesale fall winter 2014 collections).

The conversion period is 5 years commencing from the issuance of the convertible bonds. Cpax shall have the right to convert all the principle amounts of its holding of the convertible bonds at any time during the conversion period. When fully converted, the convertible bonds may be convertible into 51% of the Membership Interests of each of the Issuers pursuant to the Agreements.

Ms. Tia Cibani has no rights of redemption until the maturity date. Cpax Ltd is entitled to require redemption on an event of default as set out in the Agreements.

Cpax Ltd. subscribed for each the one third of the bonds in November 2013, May 2014 and July 2014 respectively. Pursuant to certain terms of the Agreements, the Group has consolidated the Issuers in its consolidated financial statements as at and for the year ended 31 December 2013 and 2014, as it is exposed, or has rights, to variable returns from its involvement with the Issuers and has the ability to affect those returns through its power over the Issuers.

During the year ended 31 December 2015, Cpax Ltd. and the Issuers mutually agreed the early redemption of the convertible bonds in full. Cpax received the principal of USD 500,000 from each of the Issuers on 25 June 2015.

7 Related party transactions (continued)

(e) Other transactions

| | 2015 RMB'000 | 2014 RMB'000 |
|--|-----------------|-----------------|
| Expenditure paid by the Group on behalf of: | | |
| Ports International Retail Corporation | 241 | 334 |
| Expenditure paid on behalf of the Group by: | | |
| Ports International Retail Corporation | - | 585 |
| Fiona Cibani | - | 615 |
| Rental fee reimbursed to: | | |
| PKL(i) | 11,320 | 13,697 |

- (i) Pursuant to an agency agreement dated 25 April 2012, the Group appoints PKL to lease a property and make all the payment relating to the lease on its behalf. The Group agrees to make reimbursement of all payments made and pay an agency fee at 0.5% of the amount paid by PKL on the Group's behalf under the lease.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Ports International Retail Corporation and Ms. Tia Cibani above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report of the directors. Other transactions are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

8 Trade and other receivables, deposits and prepayments

| | <i>At 31 December</i> 2015 RMB'000 | <i>At 31 December</i> 2014 RMB'000 |
|--|--|--|
| Accounts receivable | 172,954 | 205,112 |
| Less: allowance for doubtful debts (see note (ii) below) | (5,000) | (5,000) |
| | <u>167,954</u> | <u>200,112</u> |
| Amounts due from related parties (see note 10) | 3,989 | 21,036 |
| Advances to suppliers | 19,248 | 17,794 |
| Other receivables, deposits and prepayments | 155,522 | 125,341 |
| | <u>346,713</u> | <u>364,283</u> |

- (i) An ageing analysis of accounts receivable, based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

| | <i>At 31 December</i> 2015 RMB'000 | <i>At 31 December</i> 2014 RMB'000 |
|-----------------------------------|--|--|
| Within 1 month | 147,637 | 163,950 |
| Over 1 month but within 3 months | 9,875 | 24,043 |
| Over 3 months but within 6 months | 4,242 | 8,952 |
| Over 6 months | 6,200 | 3,167 |
| | <u>167,954</u> | <u>200,112</u> |
| Total | <u>167,954</u> | <u>200,112</u> |

Customers are normally granted credit terms of 0 to 90 days, depending on the credit worthiness of individual customers.

8 Trade and other receivables, deposits and prepayments (continued)

(ii) Impairment of accounts receivable

Impairment losses in respect of accounts receivable are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

| | <i>2015</i> RMB'000 | <i>2014</i> RMB'000 |
|----------------------------|------------------------|------------------------|
| As at 1 January | 5,000 | - |
| Impairment loss recognised | - | 5,000 |
| | <hr/> | <hr/> |
| As at 31 December | <u>5,000</u> | <u>5,000</u> |

As at 31 December 2015, the Group's accounts receivable of RMB 8,730 thousand (31 December 2014: RMB 9,944 thousand) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that only portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB 5,000 thousand (31 December 2014: RMB 5,000 thousand) was recognised.

8 Trade and other receivables, deposits and prepayments (continued)

(iii) Accounts receivable that are not impaired

The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

| | <i>At 31 December 2015 RMB'000</i> | <i>At 31 December 2014 RMB'000</i> |
|--|--|--|
| Neither past due nor impaired | 147,637 | 163,853 |
| Less than 1 month past due | 9,875 | 18,056 |
| 1-3 months past due | 4,242 | 7,298 |
| Over 3 months but less than 12 months past due | 2,470 | 5,961 |
| Total | 164,224 | 195,168 |

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past 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.

9 Trade payables, other payables and accruals

| | <i>At 31</i> <i>December 2015</i> RMB'000 | <i>At 31</i> <i>December 2014</i> RMB'000 |
|--|---|---|
| <i>Current</i> | | |
| Accounts payable (see note (i) below) | 75,341 | 85,240 |
| Other creditors and accruals | 200,156 | 131,443 |
| Amounts due to related parties (see note 10) | 7,087 | 2,440 |
| Dividends payable to the equity shareholders of the Company | <u>3</u> | <u>3</u> |
| | 282,587 | 219,126 |
| <i>Non-Current</i> | | |
| Other creditors and accruals | <u>83,512</u> | <u>62,887</u> |
| Total | <u><u>366,099</u></u> | <u><u>282,013</u></u> |

(i) An ageing analysis of accounts payable, based on the due date, is as follows:

| | <i>2015</i> RMB'000 | <i>2014</i> RMB'000 |
|--|------------------------|------------------------|
| Due within 1 month or on demand | 50,555 | 51,436 |
| Due after 1 month but within 3 months | 10,045 | 13,557 |
| Due after 3 months but within 6 months | 8,438 | 10,834 |
| Due after 6 months but within 12 months | 1,939 | 5,921 |
| Due after 1 year but within 2 years | <u>4,364</u> | <u>3,492</u> |
| | <u><u>75,341</u></u> | <u><u>85,240</u></u> |

10 Amounts due from/(to) related parties

| | <i>At 31</i> <i>December 2015</i> RMB'000 | <i>At 31</i> <i>December 2014</i> RMB'000 |
|---|---|---|
| <i>Amounts due from related parties</i> | | |
| Ports International Retail Corporation | 3,801 | 6,602 |
| Beijing Scitech Group | 188 | 57 |
| PCD Stores (Group) Limited and its subsidiaries | - | 14,377 |
| | <u>3,989</u> | <u>21,036</u> |

The amounts due from related parties are unsecured, interest free and repayable on demand.

| | <i>At 31</i> <i>December 2015</i> RMB'000 | <i>At 31</i> <i>December 2014</i> RMB'000 |
|---|---|---|
| <i>Amounts due to related parties</i> | | |
| Ports International Retail Corporation | 7,087 | 1,528 |
| Fiona Cibani | - | 612 |
| PCD Stores (Group) Limited and its subsidiaries | - | 300 |
| | <u>7,087</u> | <u>2,440</u> |

The amounts due to related parties are unsecured, interest free and repayable on demand.

11 Interest-bearing borrowings

At 31 December 2015, the interest-bearing borrowings were repayable as follow:

| | <i>At 31</i> <i>December 2015</i> RMB'000 | <i>At 31</i> <i>December 2014</i> RMB'000 |
|---|---|---|
| Bank loans repayable within one year or on demand | 301,015 | 602,106 |
| Non-current bank loans | 7,175 | - |
| Less: Repayable within one year | (1,660) | - |
| Bank loans repayable more than one year | 5,515 | - |

At 31 December 2015, the interest-bearing borrowings were secured as follow:

| | <i>At 31</i> <i>December 2015</i> RMB'000 | <i>At 31</i> <i>December 2014</i> RMB'000 |
|------------|---|---|
| Bank loans | | |
| -Secured | 180,554 | 484,166 |
| -Unsecured | 125,976 | 117,940 |
| | 306,530 | 602,106 |

The bank loans of the Group have maturity terms within five years and carry fixed or variable interest rate during the borrowing period.

As at 31 December 2015, certain overseas banking facilities of the Group were guaranteed by letter of credits issued by certain banks located in PRC. In respect of the guarantee provided by these PRC banks, certain subsidiaries' fixed deposits of RMB 104,125 thousand (2014: RMB 283,248 thousand) placed with banks located in the PRC as security.

As at 31 December 2015, certain bank loans of the Group were secured by mortgages over buildings with an aggregate carrying amount of RMB 16,679 thousand (2014: nil).

The Renminbi equivalent of banking facilities of the Group amounted to RMB 627,402 thousand (2014: RMB 1,069,271 thousand), of which RMB 627,402 thousand (2014: RMB 724,486 thousand) were utilised as at 31 December 2015.

12 Dividends

The directors of the Company did not propose the payment of any dividend for the year ended 31 December 2015 and 2014.

13 Equity settled share-based transactions

The Company adopted a share option scheme pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003 whereby the Company may grant options to any Qualified Person (as defined in the Share Option Scheme) for subscription of shares in the capital of the Company upon and subject to the terms of the Share Option Scheme. Pursuant to the Share Option Scheme, the options are exercisable in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period commencing on the date upon which the offer for the grant of options is made but shall expire on the date immediately preceding the tenth anniversary of the date of offer.

On 3 November 2003, under the terms of the Share Option Scheme, the Company granted 3,500,000 share options to certain employees and directors of the Group to subscribe for 3,500,000 ordinary shares at an exercise price of HK\$10.50 per share. As a result of the shares subdivision effected in November 2004, the share options were adjusted to enable employees and directors to subscribe for 14,000,000 ordinary shares at an exercise price of HK\$2.625 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

On 1 September 2006, under the terms of the Share Option Scheme, the Company granted an additional 16,000,000 share options to certain employees and directors of the Group to subscribe for 16,000,000 ordinary shares at an exercise price of HK\$11.68 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

On 14 July 2009, under the terms of the Share Option Scheme, the Company granted an additional 24,324,000 share options to certain employees and directors of the Group to subscribe for 24,324,000 ordinary shares at an exercise price of HK\$17.32 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

13 Equity settled share-based transactions (continued)

(a) *The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:*

| | <i>Number of shares involved in the options</i> | <i>Vesting conditions</i> | <i>Contractual life of options</i> |
|-------------------------------|---|---|--|
| Options granted to directors: | | | |
| - on 3 November 2003 | 300,000 | One-third on each of the first, second and third anniversary dates of the offer | 10 years |
| - on 1 September 2006 | 80,000 | One-third on each of the first, second and third anniversary dates of the offer | 10 years |
| - on 14 July 2009 | 700,000 | One-third on each of the first, second and third anniversary dates of the offer | 10 years |
| Options granted to employees: | | | |
| - on 3 November 2003 | 13,700,000 | One-third on each of the first, second and third anniversary dates of the offer | 10 years |
| - on 1 September 2006 | 15,920,000 | One-third on each of the first, second and third anniversary dates of the offer | 10 years |
| - on 14 July 2009 | 23,624,000 | One-third on each of the first, second and third anniversary dates of the offer | 10 years |
| Total share options | <u>54,324,000</u> | | |

13 Equity settled share-based transactions (continued)

(b) *The number and weighted average exercise prices of share options are as follows:*

| | <i>2015</i> | | <i>2014</i> | |
|----------------------------------|--|---|--|---|
| | <i>Weighted average exercise price</i> | <i>Number of shares involved in the options</i> | <i>Weighted average exercise price</i> | <i>Number of shares involved in the options</i> |
| Outstanding at beginning of year | HK\$16.356 | 25,249,592 | HK\$16.381 | 25,925,602 |
| Exercised | Nil | - | Nil | - |
| Expired | HK\$16.356 | (25,249,592) | Nil | - |
| Forfeited | Nil | - | HK\$17.320 | (676,010) |
| Outstanding at end of year | Nil | - | HK\$16.356 | 25,249,592 |
| Exercisable at the end of year | Nil | - | HK\$16.356 | 25,249,592 |

During the year ended 31 December 2015 and 2014, no share options were exercised by the holders pursuant to the share option scheme adopted by the Company.

On 7 January 2015, on behalf of Bluestone, Somerley Capital Limited made mandatory general cash offers to acquire all the issued shares of the Company (the “Share Offer”) and to cancel all the outstanding options of the Company (the “Option Offer”). On 25 February 2015, as the Share Offer had become unconditional in all respects, the Option Offer became unconditional in all respects as well. When the Share Offer and Option Offer were closed on 11 March 2015, all outstanding share options were lapsed in accordance with the terms of the Share Option Scheme. Accordingly, the amounts previously recognised in the capital reserve of RMB 126,537 thousands in respect of these lapsed share options were released to retained profit.

No share option was outstanding and exercisable as at 31 December 2015.

13 Equity settled share-based transactions (continued)

(c) Fair value of shares involved in the options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value of shares involved in the options and assumptions

| | <i>Granted in 2009</i> | <i>Granted in 2006</i> | <i>Granted in 2003</i> |
|---|------------------------|------------------------|------------------------|
| Fair value at grant date (HK\$'000) | HK\$137,297 | HK\$38,422 | HK\$12,400 |
| Share price | HK\$17.32 | HK\$11.68 | HK\$3.45 |
| Exercise price | HK\$17.32 | HK\$11.68 | HK\$2.625 |
| | 64.333% ~ | | |
| Expected volatility | 68.855% | 40.12% | 32% |
| Option life | 10 years | 10 years | 10 years |
| Expected dividends | 1.38% | 2.07% | 2.66% |
| Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate) | 0.090% ~ 1.037% | 3.774% ~ 3.967% | 3.885% |

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

14 Acquisition and disposal

- (a) Partial disposal of interests in Ports Asia Holdings (Hong Kong) Limited (“Ports HK”)

On 31 May 2015, Ports Asia Holding Limited (“Ports BVI”, wholly subsidiary of the Group) entered into the Framework Agreement with Shenzhen Oriental Fortune Capital Co., Ltd. (“Oriental Fortune”), pursuant to which Ports BVI has agreed to sell, and Oriental Fortune has agreed to purchase, an aggregate 20% shareholding in Ports HK, which holds substantially all of the Group’s existing fashion and apparel business (the “20% Disposal”) according to the following timetable and subject to certain conditions:

- (i) Ports BVI has agreed to sell and Oriental Fortune agreed to purchase 6% shareholding in Ports HK for a cash consideration of RMB 180,000 thousand (the “6% Disposal”). The consideration of RMB 180,000 thousand was received by Ports BVI on 5 June 2015;
- (ii) Oriental Fortune would be permitted to conduct due diligence in respect of Ports HK and its PRC subsidiaries for a period of 30 days after Ports BVI has received the cash consideration of RMB 180,000 thousand; and
- (iii) Within 5 business days after the completion of the due diligence, Ports BVI should enter into a sale and purchase agreement with Oriental Fortune for completing the transfer of the additional 14% equity interests in Ports HK for a cash consideration of RMB 420,000 thousand (the “14% Disposal”) if no significant discrepancies exist between the findings of Oriental Fortune’s due diligence review and the information disclosed by Ports BVI. However, if significant discrepancies exist based on the results of the Oriental Fortune’s due diligence, Oriental Fortune is not obliged to purchase the additional 14% equity interests in Ports HK and also possesses the right to request Ports BVI to refund the cash consideration of RMB180,000 thousand relating to the 6% Disposal already paid. Also, the legal title of the shares in Ports HK relating to the 6% Disposal should also be transferred back from Oriental Fortune to Ports BVI.

The Framework Agreement also provides for the possible sale of the remaining 80% shareholding in Ports HK (the “Possible 80% Disposal”), the completion of which should be subject to Oriental Fortune introducing an independent third party buyer to Ports BVI and Ports BVI agreeing the detailed terms of such disposal in a separate sale and purchase agreement.

As the 6% Disposal was still subject to the abovementioned condition, the 6% Disposal had not been consummated when the agreement was signed and the cash consideration was received. The cash consideration of RMB180,000 thousand that were received by the Group was initially recognised as a financial liability. The call option relating to the 14% Disposal offered to Oriental Fortune under the Framework Agreement was determined to have no significant value as at the grant date.

14 Acquisition and disposal (continued)

- (a) Partial disposal of interests in Ports Asia Holdings (Hong Kong) Limited (“Ports HK”) (continued)

On 9 October 2015, Ports BVI entered into an agreement in relation to the rescission of the Framework Agreement (the “Rescission Agreement”) with Oriental Fortune. Pursuant to the Rescission Agreement, Ports BVI and Oriental Fortune mutually agreed to rescind the Framework Agreement. The total cash consideration of RMB 180,000 thousand previously received by Ports BVI had been paid back to Oriental Fortune by 31 December 2015.

There is no gain or loss arising from above mentioned transactions.

- (b) As disclosed in note 7(d), the Group lost control over Tia Cibani LLC and TC Brands LLC upon the Early Redemption of convertible bonds by Cpax Ltd on 25 June 2015. The transaction was accounted for as a disposal of interests in Tia Cibani LLC and TC Brands LLC. There is no gain or loss arising from the disposal.

BUSINESS REVIEW AND OUTLOOK

Retail Segment

The financial year of 2015 has been widely reported as a struggle for most businesses and in particular, the luxury retail consumption sector. Amid the global reduction in the demand for luxury goods, our management team has worked closely with our operation team to improve our marketing and channel operations, through the conduct of a critical assessment of our retail network and a detailed monitoring of resources allocation and application to ensure such network's overall competencies, individual and regional productivity and more importantly, ability to showcase our unique brand image and collections at the highest standard. Apart from the physical store network, our dedicated team has continued their effort in the development and promotion of our e-commerce business, as we consider that online and offline integration will become an important trend going forward. Our work include, but are not limited to, the implementation of different strategies with the aim of engaging users and offering of on-line exclusive merchandizes to enhance the traffic, and we have witnessed encouraging results from our efforts so far. We envisage that digital business will become a growing revenue stream, even though we are still at a fairly early stage of developing in our e-commerce business.

With the endeavours to promote Ports 1961 to fashion lovers across the globe and enhance its influence within the industry, the Group, together with its overseas affiliates controlled by our controlling shareholders, have continued their investments and works on brand building events at both local and international levels. Positive comments and acclaims have been circulated among media and peers after successful participation in events such as Milan Fashion Week and Pitti Uomo. These works look to bear meaningful results to our business as we have observed a decently improving sales trend within our network towards the end of 2015, notwithstanding a weakening economy in China.

The performance of our distribution business has been consistent with our core Ports 1961 business, given that we only collaborate with globally recognized brands of similar positioning and calibre in the market. We have continued to foster close relationships after reviewing the strategies and terms of cooperation with our partners, and we are cautious but optimistic the network expansion for our licensed brand divisions as we are confident about their respective potential for further penetration in the Chinese market. Our experience and knowledge of the Chinese luxury retail dynamics and connections with landlords and various stakeholders in the market represent important distinguished value to our partners. Such relationship should improve with the passage of time due to mutual understanding and fine-tuning.

Other Segment

Our wholesale and OEM business reported a 25% decline in the consolidated revenue of this segment, which was mainly attributable by the downturn of the global economy leading to weakening consumption appetite across the globe. However, we have seen signs of potential improvement towards the end of the year of 2015 due to the establishment of various partnerships with important vendors such as Lane Crawford, Pedder and On Pedder and ongoing discussions with a number of potential reputable players in the market. We are excited by the prospect of those relationships, which will definitely contribute to the further promotion and exposure of the Ports 1961 collections to our target segments.

Overall, the gross profit margin of our retail and other segments remained at a satisfactory ratio of 80.4%, which was a combined result of our strong pricing power as well as the implementation of cost cutting measures over the manufacturing process.

Financial position of the Group

Since our listing in 2003, the management has all along adopted a very prudent approach in the financial management of the Group. Notwithstanding a reduction in the top-line revenue and a surge in the operating cost, the Group has still managed to maintain strong balance sheet positions and a healthy current ratio at 3.42. As of 31 December 2015, the total cash and cash equivalents, fixed deposits with banks and pledged bank deposits of the Group amounted to approximately RMB 970.7 million. Financial stability and capability are, in the management's view, essential elements to shelter the Group against market headwinds and is pivotal to maintaining and improving our operations given the pessimistic economic environment.

Coming into 2016, we remain hesitant on the prospect of a significant turnaround in the luxury retail market due to macro-economic uncertainties, such as the turmoil in the financial markets since mid-2015, the continuing shrinking in luxury spending due to the anti-corruption drive in China and reeling consumption demand in most of the developed countries, such as EU countries and the U.S., during the mild recovery in the aftermath of the global economic slump. Nonetheless, a tough operational environment may also dwindle the cost of operation and release store space with good potential which can benefit the solid and financially strong operators. Our previous experience in weathering cyclical ups and downs has given us confidence to ride through the current challenges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

Revenue of the Group decreased from RMB 1,879.4 million in FY2014 to RMB 1,594.6 million in FY2015, representing a decrease of 15.2%. Revenue comprises two reportable segments: Retail and Others. Please refer to note 2(b) under section "Notes" for further details.

Retail Revenue

Retail revenue decreased from RMB 1,723.6 million in FY2014 to RMB 1,477.8 million in FY2015, representing a decrease of 14.3%. In 2015, the PRC's economic growth rate fell to a 25-year low and the pessimistic consumption appetite has severely impacted on the luxury goods industry in the PRC, which attributed to such reduction in sales. As at 31 December 2015, the Group operated 313 retail stores in the PRC, Hong Kong, the U.S. and Canada as compared with 310 retail stores as at 31 December 2014. In light of the current market environment, we have monitored and reviewed our retail network, including the optimization of our stores distribution across the country as we expect the trend to be continued in a foreseeable term. The contribution from Retail segment to total revenue slightly increased from 91.7% in FY2014 to 92.7% in FY2015.

Others Revenue

Others revenue decreased by 25.0%, from RMB 155.8 million in FY2014 to RMB 116.8 million in FY2015. Such decrease was due to the decreases in income from our eyeglass wholesale business and OEM business. The decrease in income from our OEM business mainly resulted from a drop in business in the Euro denominated market. The contribution from Others segment to total revenue decreased from 8.3% in FY2014 to 7.3% in FY2015.

Gross Profit

Gross profit decreased from RMB 1,518.1 million in FY2014 to RMB 1,282.5 million in FY2015, representing a decrease of 15.5%. Gross profit margin slightly decreased from 80.8% in FY2014 to 80.4% in FY2015.

Retail Gross Profit

Retail gross profit decreased by 15.1% from RMB 1,472.4 million in FY2014 to RMB 1,250.5 million in FY2015. Retail gross profit margin slightly decreased to 84.6% in FY2015 (FY2014: 85.4%).

Others Gross Profit

Others gross profit decreased from RMB 45.6 million in FY2014 to RMB 32.0 million in FY2015, representing a decrease of 30.0%. A weak luxury consumption environment has had a significant impact on our OEM business and high-end eyeglass business, which resulted in a lower demand in our wholesale business. Others gross profit margin decreased to 27.4% in FY2015 (FY2014: 29.3%).

Other Revenue

Other revenue consisted of government subsidy, insurance compensation, design and decoration income as well as other receipts which may be recurrent or one-off in nature. Other revenue increased by 92.6%, from RMB 5.2 million in FY2014 to RMB 10.0 million in FY2015 primarily attributable to the increase in government subsidy and design and decoration income.

Operating Expenses

Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. Operating expenses decreased from RMB 1,351.9 million in FY2014 to RMB 1,319.0 million in FY2015, representing a decrease of 2.4%. A more detailed breakdown is set out as follows:

Distribution costs

Distribution costs mainly comprised of rental payment, salaries and benefits, stores and mall expenses, depreciation charges and marketing expenses. Distribution costs decreased from RMB 1,066.6 million in FY2014 to RMB 985.8 million in FY2015, representing a decrease of 7.6% (FY2014 versus FY2013: an increase of 1.5%). The decrease was mainly due to the decrease in rental payment and marketing expenses. Distribution costs as a percentage of Retail revenue increased to 66.7% in FY2015 (FY2014: 61.9%).

Rental payment decreased by 12.5% (FY2014 versus FY2013: an increase of 8.5%) from RMB 508.9 million in FY2014 to RMB 445.1 million in FY2015. This decrease was due to the reduction of rental payment in certain locations which are subject to a turnover rent arrangement. Rental payment as a percentage of Retail revenue has risen to 30.1% in FY2015 (FY2014: 29.5%).

Marketing expenses, including the advertising costs and promotion fee in relation to our brand development decreased by 16.8% from RMB 96.0 million in FY2014 to RMB 79.9 million in FY2015. A tightened control of expenses coupled with an efficient use of social media and online platforms allowed us to maintain the effectiveness of our promotional work at a much lower cost. Marketing expenses as a percentage of Retail revenue decreased from 5.5% in FY2014 to 5.4% in FY2015.

Administrative expenses

Administrative expenses decreased from RMB 112.8 million in FY2014 to RMB 111.6 million in FY2015, representing a decrease of 1.0%. The Company has adopted a prudent spending and cost control policy across its operations. Administrative expenses as a percentage of total revenue increased slightly to 7.0% in FY2015 (FY2014: 6.0%).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, decreased from RMB 65.5 million in FY2014 to RMB 62.8 million in FY2015, representing a decrease of 4.1%. Salaries and benefits for administrative staff as a percentage of total revenue increased to 3.9% in FY2015 (FY2014: 3.5%).

Other operating expenses

Other operating expenses increased from RMB 172.5 million in FY2014 to RMB 217.2 million in FY2015, representing an increase of 25.9% or RMB 44.8 million, due to the increases in stock provision and impairment loss of leasehold improvements of retail stores. In FY2015, the stock provision made as a percentage of Retail revenue increased to 12.8% (FY2014: 10.0%). Taking into consideration of the global economic and industry downturn, an impairment loss related to leasehold improvements of retail stores in the amount of RMB28.7 million has been provided for in FY2015.

Profit from Operations

The Group's profit from operations decreased from RMB 170.2 million in FY2014 to a loss of RMB 23.4 million in FY2015, representing a decrease of 113.8% or RMB 193.6 million. The Group's operating margin (i.e. profit from operations expressed as a percentage of total revenue) declined from 9.1% in FY2014 to -1.5% in FY2015.

Net Finance Costs/ Income

Net finance income increased from net finance cost of RMB 1.1 million in FY2014 to net finance income of RMB 0.9 million in FY2015, representing an increase of 179.6%. In FY2015, the Group reported an interest income of RMB 25.5 million, representing a decrease of RMB 7.1 million, from RMB 32.6 million in FY2014. On the other hand, interest expense for the Group decreased by RMB 4.1 million, from RMB 12.1 million in FY2014 to RMB 8.0 million in FY2015 due to the reduction of interest-bearing borrowings. The Group recorded an exchange loss of RMB 13.5 million in FY2015, as compared to a loss of RMB 17.0 million in FY2014, due to appreciation of USD denominated net liability against RMB during FY2015.

Income Tax

The Group's income tax expense decreased by 47.5% from RMB 96.5 million in FY2014 to RMB 50.6 million in FY2015. The effective income tax rate was -224.5% in FY2015 (FY2014: 57.1%) since the Group was in losses as a whole for the first time and no deferred tax asset was recognized on certain current year losses.

Profit attributable to shareholders

As a result of the factors discussed above, profit attributable to shareholders of the Company decreased from a profit of RMB 73.2 million in FY2014 to a loss of RMB 72.7 million in FY2015, representing a decrease of 199.3%.

Financial Position, Liquidity and Gearing Ratio

As at 31 December 2015, the Group had RMB 970.7 million in cash and cash equivalents, fixed deposits with banks and pledged bank deposits, which was decreased by 26.2% as compared to RMB 1,315.2 million as at 31 December 2014. As at 31 December 2015, the Group had interest-bearing borrowings of RMB 306.5 million, decreased by 49.1% from RMB 602.1 million as at 31 December 2014. We had repaid certain borrowings to reduce our credit exposure and interest expense during the economic downturn and as a result, the interest expenses decreased by 34.0% to RMB 8.0 million in FY2015 (FY2014: RMB 12.1 million).

Net cash generated from operations activities was RMB 63.9 million in FY2015 as compared with RMB 213.3 million in FY2014, representing a decrease of 70.1% due to the decrease in profit before income tax during FY2015.

As at 31 December 2015, the Group's gearing ratio was 15.2% based on outstanding borrowings and total equity of RMB 2,013.4 million (as at 31 December 2014: 28.7%). As at 31 December 2015, the current ratio was 3.42 based on current assets of RMB 2,062.5 million and current liabilities of RMB 602.2 million (as at 31 December 2014: 2.76).

Currency Risk Management

The Group's cash balances from normal business operations are mainly deposited in RMB, USD, and HKD, with major banks in Hong Kong and the PRC and hence, the Group is exposed to foreign exchange risk arising from the fluctuation of exchange rate among those currencies. In particular, depreciation of RMB against USD may have a negative impact due to the borrowings in USD. The management will continue to monitor the foreign exchange risks of the Group on a regular basis. The Group does not employ any financial instruments for hedging purposes.

Capital Commitments and Contingent Liabilities

As at 31 December 2015, the Group had capital commitments of RMB 57.0 million, as compared with RMB 43.5 million as at 31 December 2014, which was authorized but not contracted for. The Group has no material contingent liabilities as at 31 December 2015.

Capital Structure of the Group

The Group required working capital to support its manufacturing, retail and other operations. As at 31 December 2015, the Group had cash and cash equivalents, fixed deposits with banks and pledged bank deposits of RMB 970.7 million, denominated principally in RMB and HKD. As at 31 December 2015, the Group had interest-bearing borrowings of RMB 306.5 million, denominated principally in USD. The directors of the Company ("Directors") believe that the cash balances and net cash inflow from operating activities are sufficient to support the operating activities of the Group.

Charges on Assets

As at 31 December 2015, the Group's bank deposits in the amount of RMB 110.9 million and buildings in the amount of RMB 16.7 million were pledged to secure banking facilities and bank borrowings granted to the Group in connection with its operation in the ordinary course of business.

Human Resources

As at 31 December 2015, the Group had approximately 4,600 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB 394.2 million in FY2015, compared with RMB 387.0 million in FY2014, representing an increase of 1.9%. In FY2015, total personnel expenses as a percentage of the Group's revenue was at 24.7% (FY2014: 20.6%).

The remuneration of employees was determined with reference to the employees' responsibilities and experience, the performance and profitability of the Group as well as remuneration benchmarks from other companies in the retail industry and the prevailing market conditions. The Group currently does not have any share option scheme for employees.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during FY2015.

Audit Committee

The audit committee consists of three independent non-executive Directors, namely, Lin Tao (Chairman), Zheng Wanhe and Antonio Gregorio, with terms of reference in compliance with the Listing Rules.

The audit committee of the Company has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The annual results for the year ended 31 December 2015 have been reviewed by the audit committee.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”). Based on the Company’s specific enquiry with all directors, during FY2015, the Directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code.

Corporate Governance Code

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015.

Since the resignation of Mr. Edward Tan, the former Chairman of the Company, the Company has been in the search of personnel to be the Chairman of the Company. Mr. Pierre Bourque, an executive Director since the listing of the Company, is assuming the duties of the Chairman. Mr. Pierre Bourque is responsible for managing and providing leadership to the Board, initiating communication with other Board members, in particular the non-executive Directors and, where appropriate, and considering any matters proposed by other Directors for inclusion in the agenda of Board meeting. The Company will continue to look for an appropriate candidate to take up the position as the Chairman and will notify our shareholders and the public as appropriate.

Mr. Alfred Chan, the Chief Executive Officer of the Company, is directly responsible for the day-to-day management of the business of the Company and the monitoring of the operational performance of the Company. The Chief Executive Officer also reviews and discusses with the Board members the business plans, the overall execution, and recommends courses of action needed to improve the performance of the Company. The roles of the Chairman and Chief Executive Officer are separate and exercised by different individuals.

Dividend

The Board does not recommend any interim or final dividend for the year ended 31 December 2015 (FY2014: nil interim and final dividend).

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the identity of the shareholders who are entitled to attend and vote at the annual general meeting, all transfer instrument accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 May 2016.

Publication of Annual Report

This announcement is available for viewing on the websites of the HKEx (<http://www.hkexnews.hk>) and the Company (<http://www.portico-intl.com>). The annual report for FY2015 containing all the information as required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the HKEx and the Company on or before 30 April 2016.

By Order of the Board
Portico International Holdings Limited
Alfred Chan
Executive Director

Hong Kong, 24 March 2016

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Alfred Chan
Mr. Pierre Bourque
Mr. He Kun

Independent Non-executive Directors:

Mr. Lin Tao
Mr. Zheng Wanhe
Mr. Antonio Gregorio