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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: 0589)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL RESULTS HIGHLIGHTS

- Total revenue for FY2016 was RMB1,846.2 million, increased by 15.8% as compared with FY2015, while total revenue of RMB953.5 million in the second half of year 2016 representing an increase of 27.7% over the second half of 2015
- Gross profit margin was 78.4% (FY2015: 80.4%)
- Profit attributable to equity shareholders for FY2016 was RMB40.3 million (FY2015: loss of RMB72.7 million), while total profit attributable to equity shareholders in the second half of year 2016 was RMB35.8 million (FY2015: loss of RMB89.0 million)
- Earnings per share was RMB0.07 (FY2015: loss per share of RMB0.13)
- No final dividend was recommended

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of Portico International Holdings Limited (the “Company”) hereby announces the consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 (“FY2016”) together with comparative figures for the year ended 31 December 2015 (“FY2015”) as follows:

**For identification purpose only*

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2016**
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	1,846,179	1,594,575
Cost of sales		<u>(399,298)</u>	<u>(312,118)</u>
Gross profit		1,446,881	1,282,457
Other revenue	4(a)	9,868	10,014
Other net expense	4(b)	(691)	(1,228)
Distribution costs		(1,044,846)	(985,801)
Administrative expenses		(123,398)	(111,613)
Other operating expenses	4(c)	<u>(159,952)</u>	<u>(217,247)</u>
Profit/(loss) from operations		<u>127,862</u>	<u>(23,418)</u>
Finance income		7,857	25,476
Finance costs		<u>(9,536)</u>	<u>(24,601)</u>
Net finance (costs)/income	5(a)	<u>(1,679)</u>	<u>875</u>
Profit/(loss) before taxation	5	126,183	(22,543)
Income tax	6	<u>(82,074)</u>	<u>(50,620)</u>
Profit/(loss) for the year		44,109	(73,163)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		<u>5,138</u>	<u>(8,954)</u>
Total comprehensive income for the year		<u>49,247</u>	<u>(82,117)</u>
Profit/(loss) attributable to:			
Equity shareholders of the Company		40,265	(72,730)
Non-controlling interests		<u>3,844</u>	<u>(433)</u>
Profit/(loss) for the year		<u>44,109</u>	<u>(73,163)</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		45,004	(82,132)
Non-controlling interests		<u>4,243</u>	<u>15</u>
Total comprehensive income for the year		<u>49,247</u>	<u>(82,117)</u>
Earnings/(loss) per share (RMB cents)			
- Basic	7(a)	<u>7</u>	<u>(13)</u>
- Diluted	7(b)	<u>7</u>	<u>(13)</u>

**Consolidated statement of financial position
at 31 December 2016**
(Expressed in Renminbi)

	<i>Note</i>	<i>At 31 December 2016 RMB'000</i>	<i>At 31 December 2015 RMB'000</i>
Non-current assets			
Lease prepayments		22,251	22,770
Property, plant and equipment		451,630	438,904
Intangible assets		2,447	-
Interest in an associate		3,121	2,951
Deferred tax assets		198,956	183,300
		<u>678,405</u>	<u>647,925</u>
Current assets			
Trading securities		1,661	1,590
Inventories		800,282	743,502
Trade and other receivables	8	445,592	346,713
Pledged bank deposits	9	59,487	110,928
Fixed deposits with banks with original maturity over three months		275,461	351,772
Cash and cash equivalents		374,472	507,958
		<u>1,956,955</u>	<u>2,062,463</u>
Current liabilities			
Trade and other payables	11	404,377	282,587
Bank loans	12	1,688	301,015
Current taxation		41,210	18,593
		<u>447,275</u>	<u>602,195</u>
Net current assets		<u>1,509,680</u>	<u>1,460,268</u>
Total assets less current liabilities		<u>2,188,085</u>	<u>2,108,193</u>
Non-current liabilities			
Trade and other payables	11	115,330	83,512
Bank loans	12	3,798	5,515
Deferred tax liabilities		6,289	5,745
		<u>125,417</u>	<u>94,772</u>
Net assets		<u>2,062,668</u>	<u>2,013,421</u>
Capital and reserves			
Share capital	13	1,474	1,474
Reserves		2,036,882	1,991,878
Total equity attributable to equity shareholders of the Company		<u>2,038,356</u>	<u>1,993,352</u>
Non-controlling interests		24,312	20,069
Total equity		<u>2,062,668</u>	<u>2,013,421</u>

Notes

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

Portico International Holdings Limited (the “Company”) is a company incorporated in Bermuda with limited liability. The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term 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. These 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. Note 2 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 these 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 except that financial instruments classified as trading securities and derivative financial instruments are stated at their fair value.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand. Items included in the consolidated 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.

1 Basis of preparation (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.

2 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 have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are design, manufacture, wholesale and retail distribution of ladies' and men's fashion apparel and accessories in the PRC, the United States ("the USA"), Canada and Europe. Revenue represents the sales value of goods sold less returns, discounts and value added taxes.

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 identified 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 most 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 distribution costs directly attributable to the segment.

3 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 years ended 31 December 2016 and 2015 is set out below.

	<i>Retail</i>		<i>Others*</i>		<i>Total</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	1,695,100	1,477,794	151,079	116,781	1,846,179	1,594,575
Reportable segment revenue	<u>1,695,100</u>	<u>1,477,794</u>	<u>151,079</u>	<u>116,781</u>	<u>1,846,179</u>	<u>1,594,575</u>
Reportable segment profit	<u>484,776</u>	<u>426,834</u>	<u>9,774</u>	<u>31,956</u>	<u>494,550</u>	<u>458,790</u>
Distribution costs	<u>925,917</u>	<u>823,667</u>	<u>26,414</u>	<u>-</u>	<u>952,331</u>	<u>823,667</u>
	<i>Retail</i>		<i>Others*</i>		<i>Total</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	<u>736,596</u>	<u>687,106</u>	<u>63,686</u>	<u>56,396</u>	<u>800,282</u>	<u>743,502</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.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	1,695,100	1,477,794
Other revenue	151,079	116,781
	<hr/>	<hr/>
Consolidated revenue	1,846,179	1,594,575
	<hr/> <hr/>	<hr/> <hr/>
Profit		
Reportable segment profit	484,776	426,834
Other profit	9,774	31,956
	<hr/>	<hr/>
Other revenue and other net expense	494,550	458,790
Distribution costs	9,177	8,786
Administrative expenses	(92,515)	(162,134)
Other operating expenses	(123,398)	(111,613)
Net finance (costs)/income	(159,952)	(217,247)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	(1,679)	875
	<hr/> <hr/>	<hr/> <hr/>
	126,183	(22,543)
	<hr/> <hr/>	<hr/> <hr/>
	<i>At 31 December</i>	<i>At 31 December</i>
	<i>2016</i>	<i>2015</i>
	RMB'000	RMB'000
Assets		
Reportable segment assets	736,596	687,106
Other inventories	63,686	56,396
	<hr/>	<hr/>
Consolidated inventories	800,282	743,502
Non-current assets	678,405	647,925
Trade and other receivables	445,592	346,713
Pledged bank deposits	59,487	110,928
Fixed deposits with banks with original maturity over three months	275,461	351,772
Trading securities	1,661	1,590
Cash and cash equivalents	374,472	507,958
	<hr/>	<hr/>
Consolidated total assets	2,635,360	2,710,388
	<hr/> <hr/>	<hr/> <hr/>

3 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 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 goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and lease prepayments, 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 the Mainland China.

	<i>Revenues from external</i>		<i>Specified</i>	
	<i>customers</i>		<i>non-current assets</i>	
	<i>2016</i>	<i>2015</i>	<i>31 December</i>	<i>31 December</i>
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,673,104	1,465,319	468,070	449,380
Others	173,075	129,256	11,379	15,245
	<u>1,846,179</u>	<u>1,594,575</u>	<u>479,449</u>	<u>464,625</u>

4 Other revenue and other net expense

(a) Other revenue

	<i>2016</i>	<i>2015</i>
	RMB'000	RMB'000
Design and decoration income	6,995	4,450
Insurance compensation	1,537	1,153
Government subsidy*	320	1,387
Others	1,016	3,024
	<u>9,868</u>	<u>10,014</u>

* Government subsidy were received from local government authorities as a recognition of the Group's contribution towards the local economic development, of which the entitlement was unconditional.

4 Other revenue and other net expense (continued)

(b) Other net expense

	2016 RMB'000	2015 RMB'000
Net realised and unrealised losses on trading securities	330	565
Net loss on sales of property, plant and equipment	175	32
Share of (profits)/losses of an associate	(170)	244
Change in fair value of foreign exchange forward contracts	356	-
Others	-	387
	<u>691</u>	<u>1,228</u>

(c) Other operating expenses

	2016 RMB'000	2015 RMB'000
Write-down of inventories	149,737	188,531
Impairment loss of property, plant and equipment	10,215	28,716
	<u>159,952</u>	<u>217,247</u>

5 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging /(crediting):

(a) Net finance costs/(income)

	2016 RMB'000	2015 RMB'000
Interest income	(7,857)	(25,476)
Finance income	(7,857)	(25,476)
Interest expense on bank loans	2,537	8,015
Net foreign exchange loss	4,829	13,457
Others	2,170	3,129
Finance costs	9,536	24,601
Net finance costs/(income)	1,679	(875)

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Contributions to defined contribution retirement plans	21,641	15,804
Salaries, wages and other benefits	410,363	378,393
	432,004	394,197

(c) Other items

	2016 RMB'000	2015 RMB'000
Amortisation- lease prepayments	519	793
Depreciation	93,326	105,370
Operating lease charges in respect of properties		
- minimum lease payments	232,344	212,629
- contingent rents	260,423	232,466
Auditors' remuneration - audit services	2,100	2,613
Cost of inventories#	549,035	500,649
Impairment losses		
- trade and other receivables (note 8(b))	2,562	-
- property, plant and equipment	10,215	28,716

Cost of inventories includes RMB129,483,000 (2015: RMB128,473,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each type of these expenses.

6 Income tax in the consolidated statement of profit or loss and other comprehensive income

(a) *Taxation in the consolidated statement of profit or loss and other comprehensive income represents:*

	2016 RMB'000	2015 RMB'000
Current tax – PRC Income Tax		
Provision for the year	90,026	69,273
Under/(over) provision in respect of prior years	560	(152)
	<u>90,586</u>	<u>69,121</u>
Deferred tax		
Origination and reversal of temporary differences	(8,512)	(18,501)
	<u>82,074</u>	<u>50,620</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 (“BVI”) and Samoa Islands are not subject to any income tax in their local jurisdictions.
- (ii) No provision for Hong Kong Profits Tax, Macau Complementary (Profits) Tax, USA Income Tax, Italy Income Tax and Canada Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax, Macau Complementary (Profits) Tax, USA Income Tax, Italy Income Tax and Canada Income Tax during the years ended 31 December 2016 and 2015.
- (iii) All PRC subsidiaries are subject to income tax at 25% for the years ended 31 December 2016 and 2015 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.
- (iv) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interests of the PRC company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

6 Income tax in the consolidated statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Profit/(loss) before taxation	<u>126,183</u>	<u>(22,543)</u>
Notional tax on profit/(loss) before taxation, calculated at the applicable rates in the tax jurisdictions concerned	28,128	(7,020)
Tax effect of non-deductible expenses	129	151
Tax effect of non-taxable income	(43)	(58)
Tax effect of unused tax losses not recognised	41,212	51,841
Tax effect of temporary difference for which no deferred tax was recognised	-	1,431
Utilisation of previously unrecognised tax losses	(1,252)	(1,092)
Withholding tax	13,340	5,519
Under/(over) provision in prior years	<u>560</u>	<u>(152)</u>
Actual tax expense	<u>82,074</u>	<u>50,620</u>

7 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB40,265,000 (2015: loss of RMB72,730,000) and the weighted average number of 554,453,492 ordinary shares (2015: 554,453,492 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No share option was outstanding and exercisable as at 31 December 2016 and 2015, and therefore, diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share.

8 Trade and other receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	248,112	172,954
Less: allowance for doubtful debts (note 8(b))	<u>(7,562)</u>	<u>(5,000)</u>
	240,550	167,954
Amounts due from related parties (note 10)	7,635	3,989
Advances to suppliers	36,055	19,248
Other receivables, deposits and prepayments	<u>161,352</u>	<u>155,522</u>
	<u>445,592</u>	<u>346,713</u>

Trade and other receivables of the Group included deposits of RMB81,121,000 (2015: RMB81,282,000) which are expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on revenue recognition date and net of allowance for doubtful debts, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	199,010	147,637
Over 1 month but within 3 months	27,316	9,875
Over 3 months but within 6 months	6,169	4,242
Over 6 months	<u>8,055</u>	<u>6,200</u>
Total	<u>240,550</u>	<u>167,954</u>

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

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers.

8 Trade and other receivables (continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade 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 trade receivable directly.

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

	2016 RMB'000	2015 RMB'000
As at 1 January	5,000	5,000
Impairment loss recognised	2,562	-
As at 31 December	<u>7,562</u>	<u>5,000</u>

As at 31 December 2016, the Group's trade receivable of RMB11,176,000 (2015: RMB8,730,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB7,446,000 (2015: RMB5,000,000) was recognised.

(c) Trade receivables that are not impaired

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	199,010	147,637
Less than 1 month past due	27,316	9,875
1 to 3 months past due	6,169	4,242
Over 3 months but less than 12 months past due	1,672	2,470
Over 12 months	438	-
Total	<u>234,605</u>	<u>164,224</u>

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

8 Trade and other receivables (continued)

(c) Trade receivables that are not impaired (continued)

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 Pledged bank deposits

	2016 RMB'000	2015 RMB'000
Security for bank loans (note 12)	-	104,125
Security for letter of credit and letter of guarantee issued by banks	59,487	6,803
	<u>59,487</u>	<u>110,928</u>

10 Amounts due from/to related parties

	2016 RMB'000	2015 RMB'000
Amounts due from related parties		
Ports International Retail Corporation	7,550	3,801
Beijing Scitech Holdings Limited and its subsidiaries	85	188
	<u>7,635</u>	<u>3,989</u>

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

	2016 RMB'000	2015 RMB'000
Amounts due to related parties		
Ports International Retail Corporation	6,337	7,087
Beijing Scitech Holdings Limited and its subsidiaries	162	-
	<u>6,499</u>	<u>7,087</u>

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

11 Trade and other payables

	<i>2016</i> RMB'000	<i>2015</i> RMB'000
Current		
Accounts payable	92,729	75,341
Amounts due to related parties (note 10)	6,499	7,087
Derivative financial liabilities – foreign exchange forward contracts	356	-
Other creditors and accruals	304,790	200,156
Dividends payable to the equity shareholders of the Company	3	3
	<u>404,377</u>	<u>282,587</u>
Non-Current		
Other creditors and accruals	<u>115,330</u>	<u>83,512</u>
Total	<u><u>519,707</u></u>	<u><u>366,099</u></u>

The amount of deposits expected to be settled after more than one year is RMB3,755,000 (2015: RMB3,398,000). All the other current trade and other payables (including amounts due to related parties) are expected to be settled within one year or repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables based on the date of receipt of goods is as follows:

	<i>2016</i> RMB'000	<i>2015</i> RMB'000
Within 1 month	71,005	50,555
Over 1 month but within 3 months	10,415	10,045
Over 3 months but within 6 months	5,633	8,438
Over 6 months	5,676	6,303
	<u>92,729</u>	<u>75,341</u>

12 Bank loans

At 31 December 2016, the bank loans were repayable as follow:

	2016 RMB'000	2015 RMB'000
Bank loans repayable within one year or on demand	1,688	301,015
Non-current bank loans	5,486	7,175
Less: Repayable within one year	(1,688)	(1,660)
Bank loans repayable more than one year	3,798	5,515

As at 31 December 2016, the bank loans were secured as follow:

	2016 RMB'000	2015 RMB'000
Bank loans		
-Secured	5,486	180,554
-Unsecured	-	125,976
	5,486	306,530

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

Assets of the Group pledged to secure the bank loans comprise:

	2016 RMB'000	2015 RMB'000
Pledged bank deposits (note 9)	-	104,125
Construction in progress	-	16,679
Property, plant and equipment	16,610	-
	16,610	120,804

13 Share capital

Authorised and issued share capital

	<u>2016</u>		<u>2015</u>	
	<i>Number of shares</i>	<i>Amount</i>	<i>Number of shares</i>	<i>Amount</i>
		HK\$'000		HK\$'000
Authorised:				
Ordinary shares of HK\$0.0025 each	<u>3,600,000,000</u>	<u>9,000</u>	<u>3,600,000,000</u>	<u>9,000</u>
Issued and fully paid:				
At the beginning and end of the year	<u>554,453,492</u>	<u>1,386</u>	<u>554,453,492</u>	<u>1,386</u>
		RMB'000 <i>equivalent</i>		RMB'000 <i>equivalent</i>
		<u>1,474</u>		<u>1,474</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

14 Dividends

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2016 and 2015.

15 Commitments

(a) Operating lease commitments

Non-cancellable operating lease rentals for properties are payable as follows:

	<i>2016</i> RMB'000	<i>2015</i> RMB'000
Less than one year	232,717	204,010
Between one and five years	689,199	695,864
More than five years	<u>283,285</u>	<u>518,539</u>
	<u>1,205,201</u>	<u>1,418,413</u>

The leases normally run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent with reference to revenue 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.

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2016 and 2015 but not provided for in the consolidated financial statements were as follows:

	<i>2016</i> RMB'000	<i>2015</i> RMB'000
Authorised but not contracted for	<u>88,500</u>	<u>57,000</u>

16 Material related party transactions

Transactions with the following entities are considered as significant related party transactions for the years ended 31 December 2016 and 2015.

Name of party	Relationship
Ports International Enterprises Limited	Ultimate parent company
Ports International Retail Corporation	Fellow subsidiary company
Alfred Chan Kai Tai	Director of the Company and 50% equity interest holder of ultimate parent company
Edward Tan Han Kiat	50% equity interest holder of ultimate parent company
Ports of Knightsbridge Limited (referred as "PKL")	Company over which Edward Tan Han Kiat and Alfred Chan Kai Tai have significant influence
Beijing Scitech Holdings Limited and its subsidiaries	Company controlled by Alfred Chan Kai Tai and Edward Tan Han Kiat

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 2016 and 2015 are as follows:

(a) Transactions with key management personnel

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	4,209	2,167
Contribution to defined contribution retirement plans	34	19
	<u> </u>	<u> </u>

(b) Sales, purchases and rental charges

	2016 RMB'000	2015 RMB'000
Sales of goods to:		
Ports International Retail Corporation	9,499	6,022
Purchases of goods from:		
Ports International Retail Corporation	505	13,449
Rental fee charged to:		
Beijing Scitech Holdings Limited and its subsidiaries	565	188

16 Material related party transactions (continued)

(c) Other transactions

	2016 RMB'000	2015 RMB'000
Rental fee reimbursed to:		
PKL*	12,326	11,320

- * 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.

BUSINESS REVIEW AND OUTLOOK

After recording two consecutive years of downfall in revenue, the Group recorded a 15.8% growth in its total revenue for the financial year ended 31 December 2016, as compared with the financial year ended 31 December 2015, while revenue in the second half of year 2016 representing an increase of 27.7% over the second half of year 2015. The Group has reacted to the shift in market trends and customers shopping behavior, mixed economic signals across the globe, and fierce competition among luxury fashion brands with stringent cost control measures, fine-tuning of its distribution strategy and streamlining of its operational structure.

To enhance the overall operational efficiency of the Group, we have undergone a serious review of our reporting and decision making processes among our regional offices in FY2016. The merger of certain departments and the centralization of reporting lines, which may be overlapping in terms of functions and duties, facilitate a more efficient execution of works and responsibilities. At the same time, we have continued to recruit quality talents and management to join our team to ensure that our operations, in particular the overseas operations which control the production and distribution functions in Europe, are able to perform at a very high standard and in a sustainable manner.

In response to the growing popularity of affordable luxury apparel and quicker change in fashion trends, the Group has expanded its product portfolio by the introduction of a diffusion line “Ports PURE”, the collections of which present young, energetic and elegant chic styles to our female customers. Our first dedicated “Ports PURE” store in Harbour City Hong Kong officially opened in September 2016 and has broadened our offerings to meet the diversifying needs of our customers.

Furthermore, our business development team has continued to strengthen our wholesale partnership across the globe, particularly in regions such as South Korea and Japan, where local fashion media and peers have shown encouraging response. We have recorded an increase of 202.5% in the revenue of our apparel wholesale business for the financial year ended 31 December 2016, as compared with the preceding financial year, but we are cautiously optimistic about our potential for further improvement in 2017.

Looking ahead, we, along with other luxury fashion peers, will remain subject to various challenges, such as fast changing shopping behaviors and fashion trends, as well as weak consumption appetites in major markets. The management will monitor any change or development closely to ensure that the brand can maintain its competitiveness and attractiveness. Furthermore, we will continue to allocate resources for the marketing of our brand and distribution of our products with our overseas partners in order to leverage their local experience and connections, with the objective of complementing our global distribution networks.

The financial position of the Group remains very strong and solid, with approximately RMB709.4 million of cash and cash equivalents, fixed deposit with banks with original maturity over three months and pledged bank deposits as at 31 December 2016. The Group’s current ratio was 4.38 based on its current assets of RMB1,957.0 million and current liabilities of RMB447.3 million as at 31 December 2016 (as at 31 December 2015: 3.42). We will continue to monitor and maintain our financial position prudently so that we will be able to grasp available and suitable investment or expansion opportunities in the market as and when they arise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

Revenue of the Group increased from RMB1,594.6 million in FY2015 to RMB1,846.2 million in FY2016, representing an increase of 15.8%; while the total revenue increased from RMB746.8 million in the second half of year 2015 to RMB953.5 million in the second half of year 2016, representing an increase of 27.7%. Revenue comprises one reportable segment under retail and revenue from other business activities. Please refer to note 3(b) under section "Notes" for further details.

Retail revenue

Retail revenue increased from RMB1,477.8 million in FY2015 to RMB1,695.1 million in FY2016, representing an increase of 14.7%, while the retail revenue increased from RMB699.3 million in the second half of year 2015 to RMB882.1 million in the second half of year 2016, representing an increase of 26.1%, due to improvement in the overall luxury fashion retail environment and an increasing recognition of our core Ports 1961 brand among fashion lovers. As at 31 December 2016, the Group operated 343 retail stores in the PRC, Hong Kong, the U.S. and Canada as compared with 313 retail stores as at 31 December 2015. In light of the current market environment, we have monitored and reviewed our retail network, with the objective of optimizing our stores distribution across the regions. The contribution from Retail segment to total revenue has slightly decreased from 92.7% in FY2015 to 91.8% in FY2016.

Others revenue

Others revenue increased by 29.4%, from RMB116.8 million in FY2015 to RMB151.1 million in FY2016. Such increase was mainly contributed by the improvement in our distribution business in the Euro denominated market. The contribution from Others segment to total revenue increased from 7.3% in FY2015 to 8.2% in FY2016.

Gross profit

Gross profit increased from RMB1,282.5 million in FY2015 to RMB1,446.9 million in FY2016, representing an increase of 12.8%, while the gross profit increased from RMB591.2 million in the second half of 2015 to RMB742.7 million in the second half of year 2016, representing an increase of 25.6%. Gross profit margin slightly decreased from 80.4% in FY2015 to 78.4% in FY2016.

Retail gross profit

Retail gross profit increased by 12.8% from RMB1,250.5 million in FY2015 to RMB1,410.7 million in FY2016, while the retail gross profit increased from RMB583.0 million in the second half of year 2015 to RMB728.6 million in the second half of year 2016, representing an increase of 25.0%. Retail gross profit margin slightly decreased to 83.2% in FY2016 (FY2015: 84.6%).

Others gross profit

Others gross profit increased from RMB32.0 million in FY2015 to RMB36.2 million in FY2016, representing an increase of 13.1%, resulted from increase in revenue in our wholesale business in the Euro denominated markets. Others gross profit margin slightly decreased to 24.0% in FY2016 (FY2015: 27.4%).

Other revenue

Other revenue mainly consisted of government subsidy, insurance compensation as well as design and decoration income. Other revenue slightly decreased by 1.0%, from RMB10.0 million in FY2015 to RMB9.9 million in FY2016, despite there was an increase in design and decoration income, primarily due to the decrease in government grants and other receipts that are one-off in nature.

Operating expenses

Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. Operating expenses increased from RMB1,314.7 million in FY2015 to RMB1,328.2 million in FY2016, representing slight increase of 1.0%. A more detailed breakdown is set out as follows:

Distribution costs

Distribution costs mainly comprised of rental charges, salaries and benefits, stores and mall expenses, depreciation charges and marketing expenses. Distribution costs increased from RMB985.8 million in FY2015 to RMB1,044.8 million in FY2016, representing an increase of 6.0% (FY2015 versus FY2014: a decrease of 7.6%). The increase was mainly due to the increase in rental charges, salaries and benefits for retail sales staff. Distribution costs as a percentage of Retail revenue decreased to 61.6% in FY2016 (FY2015: 66.7%).

Rental charges increased by 10.7% (FY2015 versus FY2014: a decrease of 12.5%) from RMB445.1 million in FY2015 to RMB492.8 million in FY2016. Due to the increase in sales volume from our retail stores during FY2016, the relative rent paid for our retail stores in various locations has increased accordingly in FY2016 as compared to FY2015. Rental payment as a percentage of Retail revenue has dropped to 29.1% in FY2016 (FY2015: 30.1%).

Administrative expenses

Administrative expenses increased from RMB111.6 million in FY2015 to RMB123.4 million in FY2016, representing an increase of 10.6%, due to increase in office expenses, salaries and benefits for administrative staff and business taxes contributed by the expansion of our European offices and operations. Administrative expenses as a percentage of total revenue decreased slightly to 6.7% in FY2016 (FY2015: 7.0%).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, increased from RMB62.8 million in FY2015 to RMB70.6 million in FY2016, representing an increase of 12.4%. Salaries and benefits for administrative staff as a percentage of total revenue slightly decreased to 3.8% in FY2016 (FY2015: 3.9%).

Other operating expenses

Other operating expenses decreased from RMB217.2 million in FY2015 to RMB160.0 million in FY2016, representing a decrease of 26.3% or RMB57.2 million, due to the decreases in write-down of inventories and impairment loss of leasehold improvements of retail stores, following the improvement in our sales activities in FY2016. In FY2016, the stock provision made as a percentage of Retail revenue decreased to 8.8% (FY2015: 12.8%).

Profit/(loss) from operations

The Group's profit/(loss) from operations increased from loss of RMB23.4 million in FY2015 to profit of RMB127.9 million in FY2016, representing an increase of RMB151.3 million, while the profit/(loss) from operations increased from loss of RMB79.7 million in second half of year 2015 to profit of RMB96.7 million in second half of year 2016, representing an increase of RMB176.4 million, pre-dominantly contributed by the increase in revenue for the retail segment. The Group's operating margin (i.e. profit/(loss) from operations expressed as a percentage of total revenue) increased from -1.5% in FY2015 to 6.9% in FY2016.

Net finance (costs)/ income

Net finance income of RMB0.9 million in FY2015 decreased to net finance costs of RMB1.7 million in FY2016, representing a decrease of 288.9%. In FY2016, the Group reported an interest income of RMB7.9 million, representing a decrease of RMB17.6 million from RMB25.5 million in FY2015. On the other hand, interest expense for the Group decreased by RMB5.5 million, from RMB8.0 million in FY2015 to RMB2.5 million in FY2016 due to the reduction of bank loans. The Group recorded an exchange loss of RMB4.8 million in FY2016, as compared to RMB13.5 million in FY2015, due to the appreciation of US\$ denominated bank loans against RMB during FY2016.

Income tax

The Group's income tax expense increased by 62.3% from RMB50.6 million in FY2015 to RMB82.1 million in FY2016. The effective income tax rate was 65.0% in FY2016 (FY2015: -224.5%), due to the fact that higher portion of revenue is taxable in 2016.

Profit/(loss) attributable to equity shareholders

As a result of the factors discussed above, profit/(loss) attributable to equity shareholders of the Company increased from loss of RMB72.7 million in FY2015 to profit of RMB40.3 million in FY2016, as a result of the increase in retail revenue.

Financial position, liquidity and gearing ratio

As at 31 December 2016, the Group had RMB709.4 million in cash and cash equivalents, fixed deposits with banks with original maturity over three months and pledged bank deposits, which had decreased by 26.9% as compared to RMB970.7 million as at 31 December 2015. As at 31 December 2016, the Group had bank loans of RMB5.5 million, representing a decrease of 98.2% from RMB306.5 million as at 31 December 2015. As such, the interest expenses decreased by 68.8% to RMB2.5 million in FY2016 (FY2015: RMB8.0 million).

Net cash generated from operations activities was RMB119.9 million in FY2016 as compared with RMB63.9 million in FY2015, representing an increase of 87.6% which was primarily contributed by the increase in profit before taxation during FY2016.

As at 31 December 2016, the Group's gearing ratio was 0.3% calculated as outstanding bank loans over total equity (as at 31 December 2015: 15.2%). As at 31 December 2016, the current ratio was 4.38 based on current assets of RMB1,957.0 million and current liabilities of RMB447.3 million (as at 31 December 2015: 3.42).

Currency risk management

The Group's cash balances from normal business operations are mainly deposited in RMB, USD, JPY, HKD and Euros 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. 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 2016, the Group had capital commitments of RMB88.5 million, as compared with RMB57.0 million as at 31 December 2015, which was authorised but not contracted for. The Group has no material contingent liabilities as at 31 December 2016 (FY2015: nil).

Capital structure of the Group

The Group required working capital to support its manufacturing, retail and other operations. As at 31 December 2016, the Group had cash and cash equivalents, fixed deposits with banks with original maturity over three months and pledged bank deposits of RMB709.4 million, denominated principally in RMB, USD, JPY, HKD and Euros. As at 31 December 2016, the Group had bank loans of RMB5.5 million, denominated in RMB. 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 2016, the Group's bank deposits in the amount of RMB59.5 million (as at 31 December 2015: RMB110.9 million) and buildings in the amount of RMB16.6 million (as at 31 December 2015: construction in progress of RMB16.7 million) were pledged to secure bank loans, letter of credit and letter of guarantee issued by banks in connection with its operation in the ordinary course of business.

Human resources

As at 31 December 2016, the Group had approximately 4,500 employees (as at 31 December 2015: approximately 4,600). Total personnel expenses, comprised of wages, salaries and benefits, amounted to RMB432.0 million in FY2016, compared with RMB394.2 million in FY2015, representing an increase of 9.6%. In FY2016, total personnel expenses as a percentage of the Group's revenue was at 23.4% (FY2015: 24.7%).

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 FY2016 (FY2015: nil).

Audit committee

The audit committee of the Company ("Audit Committee") consists of three independent non-executive Directors, namely, Mr. Lin Tao (Chairman), Mr. Zheng Wanhe and Mr. Antonio Delfin Gregorio, with terms of reference in compliance with the Listing Rules. The Company has established the Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The Audit Committee has reviewed the consolidated financial statements for FY2016 and the accounting principles and practices adopted, and discussed auditing, internal control and financial reporting matters with the management and the Company's external auditors.

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 "Stock Exchange"). All the Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2016.

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 2016.

The roles of the chairman of the Board ("Chairman") and Chief Executive Officer of the Company are separate and exercised by different individuals. Since the resignation of Mr. Edward Tan Han Kiat, the former Chairman of the Company, Mr. Pierre Bourque, a former executive Director of the Company, assumed the duties of the Chairman and Mr. Alfred Chan Kai Tai was the Chief Executive Officer of the Company. Upon the resignation of Mr. Pierre Bourque, Mr. Alfred Chan Kai Tai was appointed as the Chairman and ceased to be the Chief Executive Officer of the Company with effect from 14 October 2016.

Mr. Alfred Chan Kai Tai is responsible for managing and providing leadership to the Board, initiating communication with other Board members, in particular the independent non-executive Directors and, where appropriate, considering any matters proposed by other Directors for inclusion in the agenda of Board meetings. Mr. Anthony Paul Chan, who is the son of Mr. Alfred Chan Kai Tai, was appointed as the Chief Executive Officer of the Company with effect from 14 October 2016. Mr. Anthony Paul Chan 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. He 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.

Dividend

The Board does not recommend any interim or final dividend for the year ended 31 December 2016 (FY2015: nil).

Closure of register of members

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017 (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 instruments 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 22 May 2017.

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 FY2016 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 Tuesday, 25 April 2017.

By Order of the Board
Portico International Holdings Limited
Anthony Paul Chan
*Chief Executive Officer and
Executive Director*

Hong Kong, 30 March 2017

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

Executive Directors:

Mr. Alfred Chan Kai Tai
Mr. Anthony Paul Chan
Ms. Jenny Ching Ching Tan
Mr. He Kun

Independent Non-Executive Directors:

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