PORTICO INTERNATIONAL HOLDINGS LTD

PORTICO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 0589)

ANNUAL REPORT 2015

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CORPORATE PROFILE

Portico International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a conglomerate intending to engage in multiple areas of business. While it is in the process of identifying appropriate business opportunities in various industries, at the moment, it is primarily engaged in the wholesale and retail distribution of ladies' and men's fashion apparel and accessories such as shoes, handbags, eyewear, scarves and fragrances in China, the U.S., Canada and Europe. As at 31 December 2015, the Group operated 313 retail stores. The Group currently operates most of its business activities in the PRC market and is one of the leading international fashion companies in China.

The Group markets and sells its branded products in the PRC through concessions in major department stores, retail stores in upscale shopping arcades and stand-alone flagship retail outlets. These retail outlets are located in over 50 cities in China, including, among others, Beijing, Shanghai, Chongqing, Shenzhen, Tianjin, Xi'an and Dalian.

The Group has also entered into various licensing and cooperation agreements with top tier international brands such as BMW Lifestyle, Armani and Versace, pursuant to which the Group has been granted with the right to sell their selected products in dedicated retail outlets operated by the Group in the PRC. In particular, Bayerische Motoren Werke AG ("BMW") has granted the Group the right to use the BMW trademark and BMW logo on BMW Lifestyle products that are manufactured by the Group and the right includes the license to design and manufacture products such as watches, sunglasses and leather goods. The right to market BMW Lifestyle products in China, other than in BMW car dealer showrooms, is exclusive to the Group during the term of the license.

The Group reports its business under "Retail" and "Others" segments. The Retail segment mainly comprises of the branded products retail business and BMW Lifestyle retail business. The Others segment comprises the OEM business (which exports merchandise under the brands requested by its OEM customers in North America, Europe and Asia), wholesale of branded merchandize including eyewear and export of BMW Lifestyle goods to North America and Europe.

CORPORATE INFORMATION

Directors

Executive Directors:

Mr. Alfred Chan
(Chief Executive Officer)
Mr. Pierre Bourque
Mr. He Kun

Independent Non-executive Directors:

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Headquarters

No. 698, Qiaoying Road
Jimei District, Xiamen,
China 361021

Principal Place of Business in Hong Kong

Suite 102, Sunbeam Center
27 Shing Yip Street
Kwun Tong
Kowloon, Hong Kong

Company Secretary

Ms. Irene Wong

Authorized Representatives

Mr. Alfred Chan
Mr. Pierre Bourque

Audit Committee

Mr. Lin Tao *(Chairman)*
Mr. Zheng Wanhe
Mr. Antonio Gregorio

Remuneration Committee

Mr. Zheng Wanhe *(Chairman)*
Mr. Alfred Chan
Mr. Lin Tao

Nomination Committee

Mr. Alfred Chan *(Chairman)*
Mr. Lin Tao
Mr. Antonio Gregorio

Principal Share Registrar and Transfer Office

Appleby Management
(Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Share Registrar

Computershare
Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Hong Kong & Shanghai
Banking Corporation
Limited,
Xiamen Branch, PRC

Bank of China (Hong Kong)
Limited,
International Finance Centre
Branch, Hong Kong

Company Website

http://www.portico-intl.com

Stock Code

00589.HK

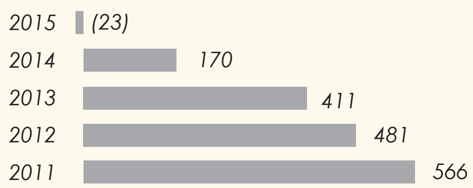
FIVE-YEAR FINANCIAL SUMMARY

(Financial figures are expressed in Renminbi ("RMB") million)

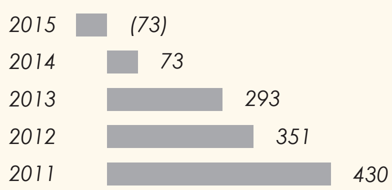
	for the year ended 31 December				
	2015	2014	2013	2012	2011
Results					
Revenue	1,595	1,879	2,137	2,098	1,985
(Loss)/profit from operations	(23)	170	411	481	566
(Loss)/profit attributable to shareholders	(73)	73	293	351	430
Assets and liabilities					
Non-current assets	648	648	646	703	583
Current assets	2,062	2,401	2,383	2,318	2,580
Current liabilities	602	871	975	1,087	1,312
Net current assets	1,460	1,530	1,408	1,231	1,268
Total assets less current liabilities	2,108	2,177	2,054	1,933	1,851
Non-current liabilities	95	80	31	81	7
Shareholders' equity	1,993	2,075	1,997	1,839	1,833

Revenue
(RMB million)

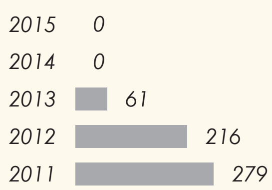
(Loss)/profit from
Operations
(RMB million)



(Loss)/profit
Attributable to
Shareholders
(RMB million)



Dividend History*
(RMB million)



*	*The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated.*

No interim and final dividend was proposed for FY2015.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

Against the backdrop of a slowdown in economy, dampened consumer sentiment on luxury goods and financial market volatility across the globe, our group has managed to deliver resilient sales performance in 2015. Credit must be given to the relentless efforts from all of our colleagues, who are focused on making improvements at all levels of our business, and our experienced management team which has the expertise, leadership and vision to tackle the current challenges.

I would like to summarize below some of our achievements in various departments of our operations:

We treasure the heritage of our brand which has been developed and recognized among the industry peers and fashion lovers since its creation in 1960s, we never fall short of passion in driving Ports 1961 forward into the contemporary arena without sacrificing its authentic core. The respective appointments of our menswear creative director Milan Vukmirovic and our womenswear creative director Natasa Cagalj demonstrate our courage and commitment for an evolution to engage new audience. For instance, in Milan's debut Autumn-Winter Season in 2015, he paid tribute to our founder Luke Tanabe by launching his version of the House's iconic N° 10 shirts collection, a reinterpretation of the brand's signature piece through a capsule of ten differently styled white shirts. This melding of old and new shows the marriage of our brand DNA with emerging concepts in order to retain our authentic heritage on one hand and maintain our attractiveness to the current and even future consumers on the other.

In the highly competitive luxury fashion market, we are well aware of the importance of promoting our brand and connecting ourselves to all potential audience in the world. In the past 12 months, we have continued to invest heavily, though wisely, on the marketing of Ports 1961 in our key operating regions, such as Milan, Hong Kong and Shanghai, with the aims of raising brand awareness and unlocking future growth potentials. Our participation in the Milan Fashion Show and Pitti Uomo do not only signal our capital commitment on industry signature events, but more importantly, they represent powerful endorsement of our status and calibre as an international fashion label within the industry. Furthermore, we also hosted different events with our loyal fans and VIPs, such as a preview of our collections and customized shopping arrangements, in order to groom and reinforce our unique bonding with them on different levels, which we see as an important and distinguished element between a luxury brand and its customers.

Year 2015 marked a welcoming chapter on our wholesale business as we have kick-started our collaboration with some renowned fashion apparels distributors. Among them, we are particularly excited that Lane Crawford, an Asia's leading iconic luxury department store chain, have presented both our womenswear and menswear collections at their stores in Hong Kong and China. Along with our existing channels, we have significantly solidified our sales and distribution network, which allows us to showcase our merchandize and brand concept to the right target segments in the market.

To sum up, 2015 was a year filled with obstacles, challenges or even setbacks. However, we understand that beneath every one of these hurdles lies the possibilities for a rewarding path of great opportunities. We are cautiously optimistic that all the aforementioned initiatives will bear fruit and set the stage for an improving performance when there are turnarounds on the macro-economic factors. More importantly, since our change of name to Portico International Holdings Limited, we are minded to diversify our business portfolio in order to grasp any investment opportunities with potentials to deliver sustainable return to the Group in long run. With the network and expertise of our senior management team across different regions coupled with abundant financial resources and support, we are positive that the Group is moving along the right route in developing a multiplied line of businesses which allows us to catch up with and reap the benefits from the fast changing investment and consumption dynamics.

Last but not the least, I would like to take this opportunity to express my most sincere appreciation to all my colleagues for their dedication and devotion during the year. I would also like to thank all our shareholders and business partners for their unwavering support towards the Group.

Alfred Chan
Chief Executive Officer

24 March 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 RMB970.7 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.

Revenue

Revenue of the Group decreased from RMB1,879.4 million in FY2014 to RMB1,594.6 million in FY2015, representing a decrease of 15.2%. Revenue comprises two reportable segments: Retail and Others. Please refer to note 3(b) under section "Notes to the Financial Statements" for further details.

Retail Revenue

Retail revenue decreased from RMB1,723.6 million in FY2014 to RMB1,477.8 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 RMB155.8 million in FY2014 to RMB116.8 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 RMB1,518.1 million in FY2014 to RMB1,282.5 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 RMB1,472.4 million in FY2014 to RMB1,250.5 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 RMB45.6 million in FY2014 to RMB32.0 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 RMB5.2 million in FY2014 to RMB10.0 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 RMB1,351.9 million in FY2014 to RMB1,319.0 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 RMB1,066.6 million in FY2014 to RMB985.8 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 RMB508.9 million in FY2014 to RMB445.1 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 RMB96.0 million in FY2014 to RMB79.9 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 RMB112.8 million in FY2014 to RMB111.6 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 RMB65.5 million in FY2014 to RMB62.8 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 RMB172.5 million in FY2014 to RMB217.2 million in FY2015, representing an increase of 25.9% or RMB44.8 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 RMB170.2 million in FY2014 to a loss of RMB23.4 million in FY2015, representing a decrease of 113.8% or RMB193.6 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 RMB1.1 million in FY2014 to net finance income of RMB0.9 million in FY2015, representing an increase of 179.6%. In FY2015, the Group reported an interest income of RMB25.5 million, representing a decrease of RMB7.1 million, from RMB32.6 million in FY2014. On the other hand, interest expense for the Group decreased by RMB4.1 million, from RMB12.1 million in FY2014 to RMB8.0 million in FY2015 due to the reduction of interest-bearing borrowings. The Group recorded an exchange loss of RMB13.5 million in FY2015, as compared to a loss of RMB17.0 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 RMB96.5 million in FY2014 to RMB50.6 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 RMB73.2 million in FY2014 to a loss of RMB72.7 million in FY2015, representing a decrease of 199.3%.

Financial Position, Liquidity and Gearing Ratio

As at 31 December 2015, the Group had RMB970.7 million in cash and cash equivalents, fixed deposits with banks and pledged bank deposits, which was decreased by 26.2% as compared to RMB1,315.2 million as at 31 December 2014. As at 31 December 2015, the Group had interest-bearing borrowings of RMB306.5 million, decreased by 49.1% from RMB602.1 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 RMB8.0 million in FY2015 (FY2014: RMB12.1 million).

Net cash generated from operations activities was RMB63.9 million in FY2015 as compared with RMB213.3 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 RMB2,013.4 million (as at 31 December 2014: 28.7%). As at 31 December 2015, the current ratio was 3.42 based on current assets of RMB2,062.5 million and current liabilities of RMB602.2 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 RMB57.0 million, as compared with RMB43.5 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 RMB970.7 million, denominated principally in RMB and HKD. As at 31 December 2015, the Group had interest-bearing borrowings of RMB306.5 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 RMB110.9 million and buildings in the amount of RMB16.7 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 RMB394.2 million in FY2015, compared with RMB387.0 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.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") strives to maintain a high standard of corporate governance practice, which would provide a solid foundation for effective management and healthy corporate structure. The Company emphasizes on quality board leadership, sound internal controls and accountability to all shareholders as key principles of good corporate governance within the Group.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2015, except for code provision A.6.7 as Mr. He Kun, an executive Director, did not attend the annual general meeting of the Company held on 29 May 2015 due to other business engagement.

The Board

During the year 2015 and up to the date of this report, the Directors are:

Executive Directors

Mr. Alfred Chan *(Chief Executive Officer)*
Mr. Pierre Bourque
Mr. He Kun

Independent Non-executive Directors

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

Details of the Directors and senior management are set out on pages 31 to 32 of this report.

As of 31 December 2015, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Therefore, the Company has complied with the requirement of the Listing Rules in having at least three independent non-executive directors.

Pursuant to bye-law 99 of the bye-laws of the Company, Mr. Pierre Bourque and Mr. Lin Tao shall retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 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 to improve the performance of the Company.

The Board is responsible for the management of the business and affairs of the Group and owes a fiduciary duty and statutory responsibility towards the Company. In particular, it formulates the overall strategies and policies of the Group. The Board is also responsible for providing leadership and control of the Company and monitoring the performance of the management, which is responsible for the day-to-day operations of the Company. Executive Directors and senior management assume the responsibilities on the daily operations of the Company. Decisions of the Board, including strategic policies, financial plans and corporate objectives, are communicated to the management through the executive Directors and their delegates. The Board is also responsible for developing appropriate policy to enhance the corporate governance of the Company, and performing the duties set out in code provision D.3.1 of the Corporate Governance Code.

During FY2015, the Board reviewed policies and practices on corporate governance and the compliance with legal and regulatory requirements. It also monitored and reviewed the code of conduct applicable to employees and directors as well as the training and continuous professional development of directors and senior management. In addition, the Board reviewed the compliance with the code and disclosure in the Corporate Governance Report.

The independent non-executive Directors bring independent judgment, knowledge and experience to the Board's deliberations. The independent non-executive Directors are of sufficient calibre that their views carry significant weight in the Board's decision making process. The Board considers that there is reasonable balance between the executive Directors and non-executive Directors and they have provided adequate checks and balances for safeguarding the interests of all shareholders and the Group. The Directors are given access to independent professional support at the Company's expense, when the Directors deem it necessary to carry out their responsibilities.

The Board has received from each of its independent non-executive Directors a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors to be independent in accordance with the Listing Rules.

Our independent non-executive Directors are appointed for a term of three years, subject to retirement and re-election according to the bye-laws of the Company.

For the financial year ended 31 December 2015, the Board held four full board meetings. Under each of the Board meetings, Directors could suggest matters for inclusion into the agenda for discussion at the Board meetings. All Directors have access to Board's papers and relevant materials from the Company so that they are able to make informed decisions on matters placed before them. When a Director is unable to attend a meeting, he would be informed of the content and results of the Board meeting.

Directors Responsibility

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but be distinguished from, the "Report of the Auditors" on pages 34 to 35 of this report which states the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies that were consistently applied, and that all applicable accounting standards have been followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Companies Ordinance of Hong Kong and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code in their securities transactions throughout the year. Directors' interests in the shares of the Company are set out on page 22 of this report.

Remuneration of Directors

In FY2015, the remuneration of Directors and senior management was determined by the Board with reference to the performance and profitability of the Group as well as remuneration benchmarks from other companies in the retail industry and the prevailing market conditions. Details of the remuneration and emoluments awarded are set out on pages 61 to 62 of this report.

Remuneration Committee

The Board has established a Remuneration Committee which comprises three Board members. The Remuneration Committee is chaired by Mr. Zheng Wanhe, an independent non-executive Director. The other two members are the Chief Executive Officer, Mr. Alfred Chan and Mr. Lin Tao, an independent non-executive Director. The Remuneration Committee is responsible for the development and administration of procedures for the determination of remuneration policies on the remuneration of Directors and senior management of the Company, including their remuneration packages and assessing performance of executive directors. Executive Directors, however, do not participate in the determination of their own remuneration. The Remuneration Committee is authorised by the Board to make recommendations to the Board on the remuneration payable to executive Directors and members of senior management, the emolument policies and the basis for determining such emoluments.

The Remuneration Committee held one meeting in the financial year ended 31 December 2015, at which the policy for the remuneration of Directors and senior management of the Company, the performance of Directors and the remuneration packages of Directors and senior management of the Company were considered.

Nomination Committee

The Nomination Committee is chaired by the Chief Executive Officer, Mr. Alfred Chan. The other two members are Mr. Lin Tao and Mr. Antonio Gregorio, both independent non-executive Directors. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee is also responsible for the development of the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship. The Nomination Committee shall also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors when needed.

The Nomination Committee held one meeting in the financial year ended 31 December 2015, at which the structure, size and composition of the Board were considered, the policy for nomination of directors, the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year were reviewed.

The Company adopted a board diversity policy in October 2013 which sets out the approach to achieve diversity on the Board.

The Company embraces the benefits of having a diverse Board, and sees diversity as an important element in effective decision making and management.

The objective is to recognize the benefits and importance of diversity at the Board, the key decision making body in the Company, to enhance the quality of its performance and maintain a sustainable development in long run.

Board diversity shall be achieved through consideration of a number of factors and measurable objectives, including, but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, skills and knowledge.

All appointments of the Board members are made on merit against objective criteria and with due regard towards the achievement of diversity within the Board.

Audit Committee

The Audit Committee consists of Mr. Lin Tao, Mr. Zheng Wanhe and Mr. Antonio Gregorio, all of whom are independent non-executive Directors. The Audit Committee is chaired by Mr. Lin Tao. All committee members possess appropriate business and financial experience. The Audit Committee is authorized to obtain external professional advice if it considers necessary.

The Audit Committee held two meetings in the financial year ended 31 December 2015, at which the Company's interim and annual results, internal control system, and the Audit Committee's other duties under the Corporate Governance Code were considered.

The Audit Committee is responsible for monitoring the preparation of financial statements of the Company. In addition to the review of financial information of the Company, other primary duties of the Audit Committee include the monitoring and maintaining of the relationship with the Company's external auditors and overseeing of the Company's financial reporting system, internal control and risk management procedures. With respect to the Audit Committee's review of the Group's results for the financial year ended 31 December 2015, the Audit Committee has discussed with the senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group as well as the internal control, risk management and financial reporting matters.

Auditors' Remuneration

The amount of fees charged by the Company's auditors in respect of their audit and non-audit services is disclosed in the "Notes to the Financial Statements" on page 60 of this report. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendations to the Board regarding any non-audit services to be provided to the Company by the external auditors. In the financial year ended 31 December 2015, the fees paid to the Company's auditors were for audit services as no non-audit service assignments have been undertaken by them.

Internal Controls and Risk Management

The Board acknowledges that it is responsible for the management of the internal control system and reviewing its effectiveness. It has an overall responsibility for establishing and maintaining the operation of internal control systems and approval procedures. Executive Directors are appointed to the boards of all material operating subsidiaries in order to work closely with the senior management of the Group and monitor their performance to ensure that strategic objectives are implemented and business performance targets are met.

The Audit Committee works with the Group's finance team and other senior management members and reviews and monitors the internal control and approval procedures to ensure their effectiveness. The Company also develops a system of controls and procedures for the timely record, processing and reporting of information in the course of its operations.

Senior management responsible for the operations within the Group would prepare the business plan and budget on an annual basis, which is subject to review and approval by the executive Directors. When setting budgets and forecasts, senior management identifies, evaluates and reports on the likelihood and potential financial impact of any significant business risks. Budgets are prepared on an annual basis and forecasts are usually prepared on a quarterly basis.

The financial controller has established guidelines and procedures for the approval and control of expenditures. Both operating and capital expenditures are subject to overall budget control. Operating expenditures are further controlled by approval ceilings, which are set by reference to the level of responsibilities of the relevant executives and officers. Capital expenditures (including material expenditures within the approved budget as well as unbudgeted expenditures) are subject to specific approval prior to commitment.

The Group's internal audit function provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations. Internal audit follows up with the management team on issues identified in the course of audit. It also evaluates the Group's internal control system and reports its findings to the Audit Committee, the Chief Executive Officer, the financial controller and relevant senior management within the Group.

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Company and its subsidiaries and that they consider that such system is reasonably effective and adequate although they cannot provide absolute assurance that all material risks are appropriately identified, evaluated and managed. The review covered all material controls including financial, operational and compliance controls and the risk management function. Whilst the various procedures described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives and to properly record and report financial information, they do not provide absolute assurance against material misstatement or loss.

The Company is minded to strengthen the internal control and risk management processes of the Group by adopting and implementing various practices in the daily operations which provide check and balance across different levels of operations. Specifically, the Group reviews the procedures of payment audit and seal management whereby we rotate seal management personnel periodically and conduct checks to ensure that the relevant personnel are competent and discharging the duties appropriately and responsibly. For new businesses or any changes on operation, all related departments would coordinate in advance to ensure accuracy and efficiency of the underlying financial and administrative reporting. In addition, trainings on latest applicable regulations are provided to department managers from time to time so that they can monitor the implementation and compliance of the same in their respective departments.

In view of the above procedures and measures taken or to be taken by the Company, the Directors consider that the Company has complied with the code provisions on internal control for FY2015.

Board and Shareholders' Meetings

The number of full Board, Committee and Shareholders' meetings attended by each Director during the financial year ended 31 December 2015 are as follows:

	Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2015 AGM
Executive Directors					
Mr. Alfred Chan	4/4	N/A	1/1	1/1	1/1
Mr. Pierre Bourque	4/4	N/A	N/A	N/A	1/1
Mr. He Kun	4/4	N/A	N/A	N/A	0/1
Independent Non-executive					
Mr. Lin Tao	3/4	2/2	1/1	1/1	1/1
Mr. Zheng Wanhe	4/4	2/2	1/1	N/A	1/1
Mr. Antonio Gregorio	4/4	2/2	N/A	1/1	1/1

Continuous Professional Development

Professional and continuous training of directors is essential for the purposes of developing and refreshing their knowledge and skills, which in turn facilitates their contribution to the Board. All Directors of the Company (namely Mr. Alfred Chan, Mr. Pierre Bourque, Mr. He Kun, Mr. Lin Tao, Mr. Zheng Wanhe and Mr. Antonio Gregorio) have attended professional training in November 2015 provided by the Company's external legal advisors, in relation to the Competition Ordinance, Environmental, Social and Governance Reporting under the Listing Rules as well as risk management and internal control.

	Attending Professional Training
Executive Directors	
Mr. Alfred Chan	√
Mr. Pierre Bourque	√
Mr. He Kun	√
Independent Non-executive Directors	
Mr. Lin Tao	√
Mr. Zheng Wanhe	√
Mr. Antonio Gregorio	√

Shareholders' Rights

Convening an Extraordinary General Meeting ("EGM") by Shareholders

Pursuant to section 74 of the Bermuda Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene an EGM by depositing a written requisition at the registered office of the Company.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

An EGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the office of the Company at the following address or facsimile number or via email:

Portico International Holdings Limited
Suite 102, Sunbeam Center
27 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

Fax: (852) 2790 4815
Email: irene.wong@portico-intl.com
Attention: Ms. Irene Wong

Putting Forward Proposals at General Meetings

Shareholders shall deposit a written notice at the Company's principal place of business in Hong Kong at Suite 102, Sunbeam Center, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details, and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Amendments to Constitutional Documents

There was no change in the Company's constitutional documents during the financial year ended 31 December 2015.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders the annual report together with the audited financial results of the Group for FY2015.

Principal Activities and Business Review

The Group is a conglomerate intending to engage in multiple areas of business. While it is in the process of identifying appropriate business opportunities in various industries, at the moment, the Group is primarily engaged in the wholesale and retail distribution of ladies' and men's fashion apparel and accessories such as shoes, handbags, eyewear, scarves and fragrances in China, the U.S, Canada and Europe.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of FY2015, an indication of likely future developments in the Group's business, and an analysis using financial key performance indicators, can be found in the "Management's Discussion and Analysis" set out on pages 8 to 12 of this report. A discussion on the Company's environmental policies and performance, an account of the key relationships with the Company's employees, customers and suppliers, and a discussion on the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the "Corporate Social Responsibility Report" set out on pages 29 to 30 of this report. This discussion forms part of this "Report of the Directors".

Major Customers & Suppliers

During FY2015, the Group purchased approximately 8 % and 19 % of its goods (primarily being raw materials) and services from its largest supplier and five largest suppliers respectively. The percentages of turnover attributable to the Group's largest customer and its five largest customers combined were approximately 4 % and 15 % respectively.

None of the Directors, their close associates or shareholders of the Company (which to the best knowledge of the Directors own more than 5 % of the Company's share capital) were interested at any time in FY2015 in the above suppliers or customers.

Financial Results & Appropriations

The results of the Group for FY2015 are set out in the "Consolidated Statement of Comprehensive Income" on page 36 of this report.

The Directors did not recommend any payment of final dividend.

Distributable Reserves

The aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2015 was RMB149,884 thousand (2014: RMB17,367 thousand). Details of distributability of reserves are outlined on page 77 of this report.

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 4 to 5 of this report.

Share Capital

Details of the movements in share capital of the Company are set out on page 76 of this report.

Equity-linked Agreements

Other than the Share Option Scheme disclosed below on pages 23 to 25 and notes 25(c)(ii) and 26 to the Financial Statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Fixed Assets

Details of the movements of fixed assets are set out on pages 67 to 68 of this report.

Donations

In FY2015, the Group made charitable and other donations of approximately RMB440 thousand (FY2014: RMB426 thousand).

Directors

The Directors of the Company in FY2015 were:

Executive Directors

Mr. Alfred Chan *(Chief Executive Officer)*
Mr. Pierre Bourque
Mr. He Kun

Independent Non-executive Directors

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

A brief biography of each Director and each member of senior management of the Company can be found on pages 31 to 32 of this report.

Directors' Service Contracts

None of the Directors has a service contract with the Group that is not determinable within one year without payment of compensation other than statutory compensation.

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are as follows:

Mr. Alfred Chan has resigned as an executive director of PCD Stores (Group) Limited with effect from 24 July 2015. PCD Stores (Group) Limited was delisted from the main board of Hong Kong Stock Exchange in December 2013.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2015.

Permitted Indemnity Provision

Pursuant to the bye-laws of the Company, the Directors, Managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses incurred by him in the execution and discharge of his duties or in relation thereto. Such provisions were in force during FY2015 and remained in force as of the date of this report.

Directors' and Chief Executives Interests

As at 31 December 2015, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code, were as follows:

Shares of the Company of HK$0.0025 each ("Shares")

Name of Directors	Personal Interest	Corporate Interest	Total Interest	Percentage of total issued Shares
Mr. Alfred Chan[1]	200,000 (L)	412,893,389 (L)	413,093,389 (L)	74.50 (L)
Mr. Pierre Bourque	0	0	0	0
Mr. He Kun	1,100,000 (L)	0	1,100,000 (L)	0.20 (L)
Mr. Lin Tao	0	0	0	0
Mr. Zheng Wanhe	0	0	0	0
Mr. Antonio Gregorio	0	0	0	0

(L)— Long Position

Note:

1. *Mr. Alfred Chan owns 50% of the shareholding interest of Ports International Enterprises Limited ("PIEL"). As at 31 December 2015, PIEL held a long position of 49,488,000 Shares directly. 250,187,637 Shares were owned by CFS International Inc. ("CFS") and 113,217,752 Shares were owned by Bluestone Global Holdings Limited ("Bluestone"), both direct subsidiaries of PIEL. Mr. Alfred Chan was deemed to be interested in 74.47% of the issued share capital of the Company by virtue of his respective interests in PIEL pursuant to Part XV of the SFO.*

As at 31 December 2015, other than the holdings disclosed above, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

The Company has been notified that, as at 31 December 2015, the persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Total number of Shares held	% of Issued share capital
Bluestone Global Holdings Limited[1]	Beneficial Owner	113,217,752 (L)	20.42 (L)
CFS International Inc.[1]	Beneficial Owner	250,187,637 (L)	45.12 (L)
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	363,405,389 (L)	65.54 (L)
	Beneficial Owner	49,488,000 (L)	8.93 (L)
Mr. Edward Tan[2]	Beneficial Owner	250,000 (L)	0.05 (L)
	Interest of Controlled Corporation	412,893,389 (L)	74.47 (L)

Notes:

1. *PIEL is deemed to be interested in the 113,217,752 Shares held by Bluestone and 250,187,637 Shares held by CFS by virtue of PIEL's interest in Bluestone and CFS. Please also see Note 1 on page 22 of this report.*

2. *Mr. Edward Tan is deemed to be interested in the 412,893,389 Shares held by PIEL by virtue of Mr. Edward Tan's interest in PIEL.*

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2015 as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interest in Transactions, Arrangements and Contracts

There were no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, during FY2015, save as disclosed in the paragraphs below headed "Connected Transactions".

Directors' Rights to Acquire Shares or Debentures

Other than the Share Option Scheme disclosed below on pages 23 to 25 and notes 25(c)(ii) and 26 to the Financial Statements, at no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Controlling Shareholders' Interests in Contracts of Significance

There were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a controlling shareholder had a material interest, whether directly or indirectly, during FY2015, save as disclosed in the paragraphs below headed "Connected Transactions".

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during FY2015.

Purchase, Sale or Redemption of the Company's Listed or Redeemable Securities

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

Pre-emptive Rights

There is no provision regarding pre-emptive rights under the bye-laws of the Company and the laws of Bermuda.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003; the Scheme has expired on 13 October 2013:

1. The purpose of the Scheme was to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the Scheme were (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group held an equity interest ("Invested Entity"), including any executive Director of the Company (but excluding Mr. Alfred Chan and his associates, any of its subsidiaries or any Invested Entity); (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

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

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

5. An option might be accepted by a participant within 28 days from the Offer Date.

6. Participants were required to pay HK$10 for each option within 28 days from the Offer Date.

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

8. The first batch of share options granted under the Scheme on 3 November 2003 has expired on 2 November 2013. The second batch and third batch of share options granted under the Scheme have lapsed after the close of the option offer by Somerley Capital Limited on behalf of Bluestone on 11 March 2015. Details of this option offer are set out on pages 26 to 27 of this report.

9. As the Scheme has expired on 13 October 2013, there is no security available for issue under the Scheme as at 31 December 2015.

Details of the share options as at 31 December 2015 under the Scheme were as follows:

Second batch of Share option granted on 1 September 2006[1] (exercisable from 1 September 2006 until 31 August 2016[2] at exercise price of HK$11.68)

	Options held at 1/1/2015	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Options held at 31/12/2015
Mr. Pierre Bourque	80,000	0	80,000	0	0
Mr. He Kun	200,000	0	200,000	0	0
Continuous contract employees	4,037,859	0	4,037,859	0	0

Third batch of Share option granted on 14 July 2009[1] (exercisable from 14 July 2009 until 13 July 2019[2] at exercise price of HK$17.32)

	Options held at 1/1/2015	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Options held at 31/12/2015
Mr. Alfred Chan	250,000	0	250,000	0	0
Mr. Pierre Bourque	50,000	0	50,000	0	0
Mr. He Kun	180,000	0	180,000	0	0
Continuous contract employees	20,351,733	0	19,946,553	405,180	0
Others	100,000	0	100,000	0	0

Notes:

1. *On and subject to the terms of the Scheme, the options shall only be exercisable in respect of such part thereof that has been vested in accordance with the following manner:*

Fraction of the Shares covered under the option	***Vesting date***
1/3	*First anniversary of the Offer Date*
1/3	*Second anniversary of the Offer Date*
1/3	*Third anniversary of the Offer Date*

The Board may in its absolute discretion relax or accelerate all or any of the above vesting periods in such manner as it may deem fit.

2. *All the share options under the Scheme have lapsed after the close of the option offer by Somerley Capital Limited on behalf of Bluestone on 11 March 2015. Details of this option offer are set out on pages 26 to 27 of this report.*

Connected Transactions

Continuing Connected Transactions with PIRC

The Group has sold ladies' and men's fashion garments and accessories and other merchandise or products branded with the PORTS INTERNATIONAL and PORTS 1961 brands ("PORTS Products") to Ports International Retail Corporation ("PIRC"), a wholly-owned subsidiary of the Company's controlling shareholder, CFS, which resells them in Europe and North America. Mr. Alfred Chan, an executive Director, is the ultimate controlling shareholder (as defined in the Listing Rules) of CFS. The Group supplies PORTS Products to PIRC on a contract basis, with each contract specifying the quantity to be sold, the price and the date of delivery (the "Sales Transactions"). On 1 November 2006, the Company and PIRC entered into an agreement for the supply of PORTS Products to PIRC and its affiliated companies (the "Master Agreement"). The Master Agreement was subsequently renewed on 1 September 2009, 29 December 2011 and 29 December 2014 and shall expire on 31 December 2017 (the "Renewed Master Agreement"). The annual cap in respect of the aggregate amount of the Sales Transactions under the Renewed Master Agreement for each of the three years ending 31 December 2015, 2016 and 2017 is RMB9.3 million, RMB10.2 million and RMB11.2 million, respectively, which have been determined by reference to a projected additional 10% growth rate each year. During FY2015, the value of the Sales Transactions was RMB6.0 million.

The Company's auditors have been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have also reviewed the continuing connected transactions of the Company for FY2015 and have confirmed that:

(a) the continuing connected transactions had been entered into in the ordinary and usual course of business of the Group;

(b) the continuing connected transactions had been entered into on normal commercial terms or better; and

(c) the continuing connected transactions had been entered into according to the agreement governing them on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Other Connected Transaction

On 5 September 2013, Cpax Ltd., a wholly-owned subsidiary of the Company, entered into a Subscription Term Sheet (the "Subscription") with TIA Cibani LLC and TC Brands LLC (collectively the "Issuers") and Ms. Tia Cibani, pursuant to which Cpax Ltd. agreed to conditionally subscribe for convertible bonds up to the principal amount of USD500,000 with zero coupon (the "Convertible Bonds") from each of the Issuers. On 4 November 2013, Zero Coupon Redeemable and Convertible Bonds Subscription Agreements were signed and completion of the Subscription took place on the same day.

Ms. Tia Cibani, the holder of the entire issued share capital of TIA CIBANI LLC and TC BRANDS LLC, is the sister-in-law of Mr. Alfred Chan, being a Director and the ultimate controlling shareholder (as such term is defined in the Listing Rules) of the Company and hence, Ms. Tia Cibani is an associate of a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 25 June 2015, Cpax Ltd. exercised its option to redeem the Convertible Bonds early and the Issuers repaid the entire principal amount of USD1,000,000 of the Convertible Bonds. As at 31 December 2015, there was no outstanding convertible bond held by the Company or its subsidiaries.

In respect of the connected transactions and continuing connected transactions entered into by the Group in FY2015, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Change of Company Name

The English name of the Company has been changed from "Ports Design Limited" to "Portico International Holdings Limited" and "寶國國際控股有限公司" has been adopted as the Chinese name of the Company in replacement of "寶姿時裝有限公司" for identification purpose only with effect from 4 June 2015.

The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 7 July 2015 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Mandatory General Offers

On 19 December 2014, Bluestone Global Holdings Limited (the "Offeror") and FIL Investment Management (Hong Kong) Limited (the "Seller") entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which the Offeror agreed to purchase, and the Seller agreed to sell, 37,468,000 shares of the Company (the "Sale Shares"), for a total consideration of HK$112,404,000.00, equivalent to HK$3.00 per Sale Share. The Sale Shares represented approximately 6.8% of the issued share capital of the Company.

Immediately prior to the entering into of the Share Purchase Agreement, the Concert Parties (as defined in the Hong Kong Code on Takeovers and Mergers (the "Code")) of the Offeror collectively held a total of 185,074,773 shares of the Company (the "Shares"), representing approximately 33.3% of the issued share capital of the Company. On completion of the Share Purchase Agreement on 23 December 2014, the Offeror and its Concert Parties collectively held a total of 222,542,773 Shares, representing approximately 40.1% of the issued share capital of the Company. Accordingly, pursuant to Rule 26.1 of the Code, the Offeror was required to make a mandatory general offer to purchase all the issued Shares which were not already owned, or agreed to be acquired, by the Offeror and its Concert Parties (the "Share Offer").

The offer price of HK$3.00 per Share (the "Offer Price") was the same as the price per Share paid by the Offeror for the Sale Shares acquired under the Share Purchase Agreement.

Under Rule 13 of the Code, the Offeror made an offer (the "Option Offer"), together with the Share Offer, the "Offers") to cancel all outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company on 14 October 2003 (the "Options"). Since the exercise prices of the outstanding Options were substantially above the Offer Price, the outstanding Options were out of the money and the offer price for the cancellation of each outstanding Option was set at a nominal value of HK$0.0001.

On 25 February 2015, the Offeror and its Concert Parties held or had received acceptances in respect of an aggregate of 297,473,903 Shares (representing approximately 53.7% of the issued share capital of the Company) and the Share Offer became unconditional in all respects. As the Share Offer had become unconditional in all respects, the Option Offer became unconditional in all respects on 25 February 2015 as well. The closing date for both the Share Offer and the Option Offer was extended from 26 February 2015 to 11 March 2015.

As at the close of the Offers on 11 March 2015, the Offeror had received valid acceptances in respect of 169,706,116 Shares under the Share Offer (representing approximately 30.6% of the issued share capital of the Company) and no acceptance under the Option Offer. Upon the close of the Offers, the Offeror and its Concert Parties held or had received acceptances in respect of an aggregate of 441,276,889 Shares (representing approximately 79.6% of the issued share capital of the Company); whereas 113,176,603 Shares, representing approximately 20.4% of the issued share capital of the Company, were held by the public. Accordingly, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) and Rule13.32(1) of the Listing Rules is not satisfied.

On 25 July 2015, the Offeror disposed of the following Shares at HK$4.58 per Share, being the closing price of the Shares as quoted on the Stock Exchange on 24 July 2015:

(1) 25,500,000 Shares (representing approximately 4.60% of the issued share capital of the Company) to an independent third party (the "Disposal to Independent Third Party");

(2) 1,100,000 Shares (representing approximately 0.20% of the issued share capital of the Company) to Mr. He Kun, a director of the Company; and

(3) 220,000 Shares (representing approximately 0.04% of the issued share capital of the Company) to an employee of the Company.

Immediately after completion of the Disposal to Independent Third Party on 4 August 2015, 138,676,603 Shares, representing approximately 25.01% of the issued share capital of the Company, are held by the public. Accordingly, the minimum public float of 25% as required under Rule 8.08(1)(a) of the Listing Rules was restored after completion of the Disposal to Independent Third Party.

Major Transaction

On 31 May 2015, Ports Asia Holdings Limited ("Ports BVI", a wholly owned subsidiary of the Company) entered into a framework agreement with Shenzhen Oriental Fortune Capital Co., Ltd. ("Oriental Fortune"), pursuant to which Ports BVI agreed to sell, and Oriental Fortune agreed to purchase, an aggregate 20% shareholding in Ports Asia Holdings (Hong Kong) Limited ("Ports HK"), which holds substantially all of the Group's existing fashion and apparel business (the "Framework Agreement"). The Framework Agreement also provided for the possible sale of the remaining 80% shareholding in Ports HK, 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.

Ports BVI and Oriental Fortune completed the sale and purchase of a 6% shareholding in Ports HK in June 2015. In addition, Oriental Fortune completed its due diligence review in respect of Ports HK and its PRC subsidiaries and confirmed that there is no material difference between the findings of the due diligence review and the information disclosed by Ports BVI.

In light of the changes in the investment environment, Ports BVI entered into an agreement in relation to the rescission of the Framework Agreement (the "Rescission Agreement") with Oriental Fortune on 9 October 2015. Pursuant to the terms of the Rescission Agreement, Oriental Fortune has transferred the shares in relation to the sale of a 6% shareholding in Ports HK back to Ports BVI and Ports BVI has returned the total cash consideration of RMB180 million back to Oriental Fortune.

Significant Events

There have been no significant events affecting the Group which have occurred since 31 December 2015.

Pledging of Shares by Controlling Shareholders

The controlling shareholders of the Company has not pledged any of its interests in the Shares to any third party.

Corporate Governance

The "Corporate Governance Report" of the Company is outlined on pages 13 to 19 of this report.

Auditors

KPMG was appointed as auditor of the Group since the Listing and will retire at upcoming AGM. A resolution for the re-appointment of KPMG as auditors of the Group is to be proposed at the upcoming annual general meeting.

Public Float

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

On behalf of the Board
Alfred Chan
Chief Executive Officer and executive Director

24 March 2016

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group has been committed to a high level of corporate social responsibility. We actively contribute to the community in different aspects and strive to integrate sustainability into our daily operations. This report highlights some of our activities during FY2015.

Community Initiatives

— During FY2015, designers of the Group organized art classes for children in poverty regularly. In which, our designers shared their knowledge, skills and experience with the children in order to develop children's creativity and skills of observation, expression and imagination.

— In July 2015, the Company supported the Children's Summer Musical Program by donating our Ports 1961 No. 10 vertical bag to the silent auction of the program. Funds raised from silent auction were used to support the development of Opera Hong Kong, a non-profit organization established in 2003, to make opera easy and fun to understand for the general public, especially the young.

— In October 2015, the Company sponsored PORTS branded T-shirts to both staff and participants of Raleigh Challenge — Wilson Trail 2015, donation raised in which would be used to support the overseas and local youth development projects organized by Raleigh Hong Kong. Raleigh Hong Kong is a registered charity committed to inspiring Hong Kong youth to explore their full potential through participation in programs held locally and internationally.

Employees

— The Group believes that human resources is the source of the core competitiveness of enterprises, and therefore attaches great importance to the development of employees' health both physically and mentally. We provide regular training or talks for our employees, such as safety in production, fire protection knowledge, food hygiene and living safety in order to enhance their skills and knowledge along with the Group's development and deliver them a path to self-improvement and personal development.

— The Company established the "Ke Xiude Charity Foundation" to support, among others, the treatment of our employees suffering from serious diseases. During FY2015, "Ke Xiude Charity Foundation" continued to sponsor the treatment costs of our employees who suffered from serious diseases. Such support is highly appreciated by our employees.

Customers

— The Group strives to offer its customers the most pleasant shopping experience, high-quality products and appropriate after-sales services.

— We provide appropriate training for our frontline staff to broaden their knowledge of products and materials, improve their sales and service skills, and increase their awareness of protecting personal data of our customers.

Suppliers

— The Group selects suppliers that are best qualified in terms of reliability, experience, quality control.

— The Group strives to adhere to the principles outlined in the United Nations Global Compact and works with suppliers who can meet the requisite standards and share the same respect for those principles.

— The Group has also maintained ongoing interaction with, and conducted checks where necessary against, its suppliers to ensure their compliance with those principles.

Environmental Policies and Performance

— Our management has looked to identify and explore possible energy saving opportunities in connection with the Group's operations on a regular basis. For instance, the Group reviews its packaging reuse, waste paper, energy saving and fabric recycling procedures from time to time to minimize harmful effects caused to the environment.

— The Group's office in the PRC has adopted electronic confirmation on attendance instead of paper confirmation since November 2015.

— Duplex printing and copying as well as paper recycling are highly encouraged in the Group's offices.

— The Group has implemented different energy saving policies in its office in the PRC, such as keeping indoor temperatures at not less than 26 degrees celsius, turning off half of the lights in office when there is sufficient daylight, and turning off lights in the office for one hour during the lunch break.

— The Group complied with requirements under the relevant environmental regulations in China for the year ended 31 December 2015.

Compliance with the Relevant Laws and Regulations

— The Group's operations are mainly carried out in the PRC and the Company's shares are listed on the Stock Exchange. Therefore, its is required to comply with the relevant laws and regulations in Hong Kong and the PRC. During FY2015, there was no material breach of or non-compliance with the relevant laws and regulations that have a significant impact on the Group.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Alfred Chan, aged 68, is the chief executive officer, executive Director of the Company, and one of the founders of the Group. He is also the chairman of the Nomination Committee and member of the Remuneration Committee. Mr. Chan has over 30 years' experience in the garment and fashion industry in North America and Asia. He was nominated as one of the 200 top chief executive officers in Canada by the Financial Post of Canada in 1992. He is responsible for the overall management and operations of the Group. Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in physics in 1970 and a master's degree in electrical engineering in 1972. Mr. Chan was an executive director of PCD Stores (Group) Limited which was delisted from the main board of the Stock Exchange in December 2013. He was the chairman of PCD Stores (Group) Limited from 28 March 2007 to 5 December 2013. Mr. Chan also holds directorships in substantial shareholders of the Company within the meaning of Part XV of the SFO and certain subsidiaries of the Company. Mr. Chan is the brother-in-law of Mr. Salem Cibani.

Pierre Bourque, aged 68, is the executive vice president and executive Director of the Company. Mr. Bourque joined the Group in August 2002. Mr. Bourque has over 30 years' experience in the garment and fashion industry with extensive knowledge of inventory management, inventory quality control, marketing, merchandising and sales. Mr. Bourque joined the Canadian operations of Ports International in 1997 and was appointed as the vice president of CFS International Inc.

He Kun, aged 45, is the financial controller of the Group and executive Director of the Company. He is responsible for budget control and financial reporting of the Group. Mr. He joined the Group in 1992. He graduated from Xiamen University, China with a Professional Accounting degree in 1992 and a Master of Business Administration degree in 2004.

Independent Non-executive Directors

Lin Tao, aged 44, is the independent non-executive Director of the Company. He also serves as the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Lin joined the Group in July 2013. He has been a professor of corporate finance and principle of accountancy in Xiamen University since September 1999 and was the associate dean of School of Management of Xiamen University from March 2003 to December 2015. Mr. Lin was the associate director and director of the Center of Executive Master of Business Administration of Xiamen University from August 2004 to May 2008 and from May 2008 to March 2013, respectively. In the recent three years, he has also been the independent director of various companies listed on the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Taiwan Stock Exchange. Mr. Lin obtained his doctoral degree in management (accountancy) in Xiamen University in 1999.

Zheng Wanhe, aged 63, is the independent non-executive Director of the Company. He also serves as the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Zheng joined the Group in August 2013. He is a senior economist, who was graduated from the Beijing Institute of Economics in 1982. Mr. Zheng is currently the honorary Chairman of Beijing Wangfujing Department Store (Group) Co., Ltd (北京王府井百貨(集團)股份有限公司, 600859.SH) (the "Wangfujing Department Store"), a company listed on the Shanghai Stock Exchange, and Vice President of China Chain Store and Franchise Association. Further, Mr. Zheng is currently a member of the 12th session of the Beijing City Committee of the Chinese People's Political Consultative Conference. Prior to the above appointments, Mr. Zheng was the Vice-General Manager for Beijing City Department Store in 1984, and began his career at Wangfujing Department Store as Vice-President and General Manager from 1993. He had then been appointed as President and General Manager of Wangfujing Department Store since September 2003, until he resigned from the board of Wangfujing Department Store and Beijing Wangfujing International Commercial Development Co. Ltd (北京王府井國際商業發展有限公司), respectively in March 2013.

Antonio Gregorio, aged 52, is the independent non-executive Director and a member of the Audit Committee and Nomination Committee of the Company. Mr. Gregorio joined the Group in August 2013. He is currently working as a design consultant in the fashion design industry, developing creative concepts for his clients since 2009. He is also an entrepreneur and freelance photographer. Prior to being an entrepreneur and photographer, Mr. Gregorio was the co-founder and President of G.H. Interiors Incorporated from 1993 to 2009. He was also the Designer for Britches (Menswear Collection) and Head Designer for Alfred Sung Design (Alfred Collection) from 1990 to 1992 and from 1992 to 1993, respectively. Mr. Gregorio completed his fashion design and merchandizing program at Ryerson University in Toronto, and he has extensive knowledge of the fashion and design industry in North America and Europe.

Senior Management

Natasa Cagalj, aged 46, is the creative director for Ports 1961 Womenswear. Ms. Cagalj joined the Group in 2014. Prior to joining the Group, Ms. Cagalj was the Head of Design at Stella McCartney in London. In 2001, Ms. Cagalj left Cerruti Arte in Paris to join Lanvin as designer. She graduated with distinction from the Central Saint Martins MA program in 1997.

Milan Vukmirovic, aged 46, is the creative director for Ports 1961 Menswear. Mr. Vukmirovic joined the Group in 2014. He was the co-founder of Colette Store in 1997. In 2000, Mr. Vukmirovic became design director for Gucci group, then moved to Jil Sander as creative director. In 2005, internationally acclaimed menswear magazine L'Officiel Hommes enlisted him as their editor-in-chief and in 2007 he joined Trussardi 1911 as their creative director. Mr. Vukmirovic is now editor-in-chief and founder of Fashion for Men bookazine.

Irene Wong, aged 63, is the company secretary of the Company. Ms. Wong joined the Group in September 2003. Ms. Wong is an associate member of the Institute of Chartered Secretaries and Administrators, a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. She is also a practicing certified public accountant in Hong Kong and has been practicing accounting for over 20 years.

Salem Cibani, aged 37, is the global director of business development for the Group. He works closely with the Board in overseeing the strategic initiatives of the Group globally. He joined the group in 2006. Prior to this, he was an entrepreneur, operating his own real estate development company in Vancouver, Canada. He studied Mathematics and Kinesiology at the University of British Columbia, Canada. Mr. Cibani is the brother-in-law of Mr. Alfred Chan.

Michelle Chen, aged 47, is the marketing director of the Group. Ms. Chen is responsible for the advertising and marketing activities of the retail business of the Group. Ms. Chen first joined the Group in 1997 and left in 2004 before rejoining the Group in 2006. She graduated from Xiamen University, China majoring in international journalism in 1991, and graduated from the Paris ESSEC Business School Luxury Brand Management Program with a Master of Business Administration degree in 2005.

Portico International Holdings Limited

(Formerly known as Ports Design Limited)

(Stock Code: 589)

Consolidated financial statements

for the year ended 31 December 2015

Independent auditor's report to the shareholders of Portico International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Portico International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 92, which comprise the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

REPORT OF THE AUDITORS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2016

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	3	**1,594,575**	1,879,430
Cost of sales		**(312,118)**	(361,364)
Gross profit		**1,282,457**	1,518,066
Other revenue	4(a)	**10,014**	5,199
Other net expense	4(b)	**(1,228)**	(1,177)
Distribution costs		**(985,801)**	(1,066,623)
Administrative expenses		**(111,613)**	(112,782)
Other operating expenses	5	**(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)	7(a)	**875**	(1,099)
(Loss)/profit before taxation	7	**(22,543)**	169,096
Income tax	8(a)	**(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	11	**(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	12	**(0.13)**	0.13
— Diluted	12	**(0.13)**	0.13

The notes on pages 41 to 92 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

CONSOLIDATED BALANCE SHEET

at 31 December 2015
(Expressed in Renminbi Yuan)

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Lease prepayments	14	**22,770**	23,563
Property, plant and equipment	15	**438,904**	456,270
Intangible assets		**—**	8,422
Interest in an associate		**2,951**	—
Deferred tax assets	16(b)	**183,300**	159,280
		647,925	647,535
Current assets			
Inventories	18	**743,502**	721,551
Trade and other receivables, deposits and prepayments	19	**346,713**	364,283
Pledged bank deposits	17	**110,928**	284,945
Fixed deposits with banks	20	**351,772**	511,115
Trading securities		**1,590**	—
Cash and cash equivalents	21	**507,958**	519,176
		2,062,463	2,401,070
Current liabilities			
Trade payables, other payables and accruals	22	**282,587**	219,126
Interest-bearing borrowings	24	**301,015**	602,106
Current taxation	16(a)	**18,593**	50,195
		602,195	871,427
Net current assets		**1,460,268**	1,529,643
Total assets less current liabilities		**2,108,193**	2,177,178
Non-current liabilities			
Deferred tax liabilities	16(b)	**5,745**	17,443
Interest-bearing borrowings	24	**5,515**	—
Trade payables, other payables and accruals	22	**83,512**	62,887
		94,772	80,330
Net assets		**2,013,421**	2,096,848
Capital and reserves			
Share capital	25(c)	**1,474**	1,474
Reserves		**1,991,878**	2,074,010
Total equity attributable to equity shareholders of the Company		**1,993,352**	2,075,484
Non-controlling interests		**20,069**	21,364
Total equity		**2,013,421**	2,096,848

Approved and authorised for issue by the board of directors on 24 March 2016.

Alfred Chan
Chief Executive Officer and Executive Director

Pierre Bourque
Executive Director

The notes on pages 41 to 92 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015** **RMB'000**	2014 RMB'000
Net cash generated from operating activities	(a)	**63,866**	213,281
Cash flow from investing activities			
Interest received		**30,484**	35,159
Acquisition of property, plant and equipment		**(107,376)**	(89,783)
Proceeds from disposal of property, plant and equipment		**2,432**	228
Advance received from disposal of interests in subsidiaries	29(a)	**180,000**	—
Repayment of advance received from disposal of interests in subsidiaries	29(a)	**(180,000)**	—
Payment for acquisition of interests in an associate		**(3,195)**	—
Decrease in pledged bank deposits		**174,017**	165,163
Decrease/(increase) in fixed deposits with banks		**159,343**	(79,005)
Payment for purchase of trading securities		**(3,869)**	—
Proceeds from sales of trading securities		**1,714**	—
Other cash flows arising from investing activities		**27**	—
Net cash generated from investing activities		**253,577**	31,762
Cash flow from financing activities			
Interest expense paid		**(8,490)**	(13,926)
Proceeds from interest-bearing borrowings		**290,173**	544,803
Repayment of interest-bearing borrowings		**(610,344)**	(663,316)
Dividends paid to equity shareholders of the Company		**—**	(15)
Dividends paid to holder of non-controlling interests		**—**	(4,573)
Net cash used in financing activities		**(328,661)**	(137,027)
Net (decrease)/increase in cash and cash equivalents		**(11,218)**	108,016
Cash and cash equivalents at 1 January		**519,176**	411,160
Cash and cash equivalents at 31 December		**507,958**	519,176

The notes on pages 41 to 92 form part of these financial statements.

(a) Reconciliation of (loss)/profit before taxation to cash generated from operating activities

	Note	**2015** **RMB'000**	2014 RMB'000
(Loss)/profit before taxation		**(22,543)**	169,096
Adjustments for:			
Depreciation of property, plant and equipment	7(b)	**105,370**	114,650
Amortisation of lease prepayments	7(b)	**793**	718
Loss on disposal of property, plant and equipment	4(b)	**32**	143
Impairment losses on property, plant and equipment	5	**28,716**	—
Share of losses of an associate	4	**244**	—
Interest expense	7(a)	**8,015**	12,139
Interest income	7(a)	**(25,476)**	(32,602)
Loss on sales of trading securities	4(b)	**565**	—
Operating profit before changes in working capital		**95,716**	264,144
Increase in inventories		**(23,248)**	(6,277)
Decrease in accounts receivable		**32,468**	2,368
Decrease in amounts due from related parties		**17,047**	4,360
Increase in advances to suppliers		**(1,454)**	(3,350)
(Increase)/decrease in other receivables, deposits and prepayments		**(37,097)**	3,775
(Decrease)/increase in accounts payable		**(9,933)**	13,290
Increase in amounts due to related parties		**4,647**	2,140
Increase in other creditors and accruals		**103,660**	42,003
Cash generated from operations		**181,806**	322,453
Income tax paid		**(117,940)**	(109,172)
Net cash generated from operating activities		**63,866**	213,281

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Capital reserve — staff share options issued (undistributable) RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		1,474	126,537	61,419	443,348	59,068	3,019	1,302,031	1,996,896	26,390	2,023,286
Profit for the year		—	—	—	—	—	—	73,238	73,238	(628)	72,610
Other comprehensive income		—	—	—	—	—	5,350	—	5,350	175	5,525
Total comprehensive income		—	—	—	—	—	5,350	73,238	78,588	(453)	78,135
Dividends to holders of non-controlling interests		—	—	—	—	—	—	—	—	(4,573)	(4,573)
Transfer to reserve		—	—	—	—	1,368	—	(1,368)	—	—	—
Balance at 31 December 2014		1,474	126,537	61,419	443,348	60,436	8,369	1,373,901	2,075,484	21,364	2,096,848
Balance at 1 January 2015		**1,474**	**126,537**	**61,419**	**443,348**	**60,436**	**8,369**	**1,373,901**	**2,075,484**	**21,364**	**2,096,848**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(72,730)**	**(72,730)**	**(433)**	**(73,163)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**(9,402)**	**—**	**(9,402)**	**448**	**(8,954)**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**(9,402)**	**(72,730)**	**(82,132)**	**15**	**(82,117)**
Share options expired during the year	*26(b)*	**—**	**(126,537)**	**—**	**—**	**—**	**—**	**126,537**	**—**	**—**	**—**
Disposal of interests in subsidiaries		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,310)**	**(1,310)**
Transfer to reserve		**—**	**—**	**—**	**—**	**576**	**—**	**(576)**	**—**	**—**	**—**
Balance at 31 December 2015		**1,474**	**—**	**61,419**	**443,348**	**61,012**	**(1,033)**	**1,427,132**	**1,993,352**	**20,069**	**2,013,421**

The notes on pages 41 to 92 form part of these financial statements.

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

These 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. 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. A summary of the significant accounting policies adopted by the Group is set out below.

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 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. These 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.

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.

Judgements made by management in application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1. Significant accounting policies *(continued)*

(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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses(see note 1(j)).

1. **Significant accounting policies** *(continued)*

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

1. Significant accounting policies *(continued)*

(f) Other investments in debt and equity securities *(continued)*

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(iii) and (iv).

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(s)(iii) and 1(s)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Plant and buildings	20–50 years
— Machinery	10 years
— Others	3–5 years

No depreciation is provided on construction in progress.

1. **Significant accounting policies** *(continued)*

(g) Property, plant and equipment *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating leases charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Lease prepayments

Lease prepayments represent prepayment made for land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(j)). Amortisation is provided to write off the cost of lease prepayment on a straight-line basis over the respective periods of the rights.

1. Significant accounting policies *(continued)*

(j) Impairment of assets

(i) Impairment of investment in debt and equity securities and receivables

Investments in debt and equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

1. **Significant accounting policies** *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investment in debt and equity securities and receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets; and

— investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

1. **Significant accounting policies** *(continued)*

(j) *Impairment of assets* *(continued)*

(ii) Impairment of other assets (continued)

— Reversal of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free advances made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(j)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1. **Significant accounting policies** *(continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. Significant accounting policies *(continued)*

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1. Significant accounting policies *(continued)*

(r) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. Significant accounting policies *(continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services rendered

Revenue from services rendered is recognised when the service is rendered.

(iii) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

1. Significant accounting policies *(continued)*

(u) Translation of foreign currencies *(continued)*

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in note 1(w)(a).

(vii) A person identified in note 1(w)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1. **Significant accounting policies** *(continued)*

(x) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(y) Segment reporting

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

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

(z) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2. **Accounting judgement and estimates**

Notes 16, 26, and 30 contain information about significant areas of estimation uncertainty and critical judgements in applying accounting policies of deferred taxes on unused tax losses, measurement of share-based payments and valuation of financial instruments respectively that have the most significant effect on the amounts recognised in the financial statements. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. They could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. Management will reassess the estimations at each balance sheet date.

2. Accounting judgement and estimates *(continued)*

(c) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated statement of profit or loss and other comprehensive income in future years.

(d) Impairment of property, plant and equipment

As stated in note 1(j), an impairment loss is recognised in profit and loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. At each balance sheet date, the Group reviews the recoverable amount of property, plant and equipment, which involves judgement on the determination of their fair value less costs of disposal and value in use. The fair value less costs of disposal is determined based using market comparison approach by reference to recent sales price of comparable assets and the value in use is determined by discounting projected cash flow series associated with the assets using risk-adjusted discount rates. Any change in the assumptions would increase or decrease the recoverable amount of property, plant and equipment.

3. 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.

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 period is set out below.

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

(*) 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.

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,477,794**	1,723,631
Other revenue	**116,781**	155,799
Consolidated revenue	**1,594,575**	1,879,430

	2015	2014
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**426,834**	649,628
Other profit	**31,956**	45,632
	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)
Consolidated (loss)/profit before taxation	**(22,543)**	169,096

3. **Revenue and segment reporting** *(continued)*

(b) Segment reporting *(continued)*

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

	2015 **RMB'000**	2014 RMB'000
Assets		
Reportable segment assets	**687,106**	668,127
Other inventories	**56,396**	53,424
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
Consolidated total assets	**2,710,388**	3,048,605

(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.

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

4. 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
	10,014	5,199

(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)
	(1,228)	(1,177)

5. Other operating expenses

	2015 RMB'000	2014 RMB'000
Inventories provision	**188,531**	172,488
Impairment loss on property, plant and equipment	**28,716**	—
	217,247	172,488

6. Personnel expenses

	2015	2014
	RMB'000	*RMB'000*
Wages, salaries and staff benefits	**378,393**	371,394
Contributions to defined contribution retirement plan	**15,804**	15,570
	394,197	386,964

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 RMB15 thousand per month (2014: RMB14 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.

7. (Loss)/profit before taxation

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

(a) Net finance (income)/costs

	2015	2014
	RMB'000	*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

7. (Loss)/profit before taxation *(continued)*

(b) Other items

	2015	2014
	RMB'000	*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 19)	**—**	5,000
— property, plant and equipment (see note 15)	**28,716**	—
Amortisation- lease prepayments	**793**	718
Cost of inventories# (see note 18)	**500,649**	533,852

\# *Cost of inventories includes RMB128,473 thousand (2014: RMB126,818 thousand) relating to personnel expenses, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6 for each type of these expenses.*

8. Income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax — PRC Income Tax		
Provision for the year	**69,273**	118,081
Over -provision in respect of prior years	**(152)**	(662)
	69,121	117,419
Deferred tax		
Origination and reversal of temporary differences (see note 16(b))	**(18,501)**	(20,933)
	50,620	96,486

(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.

8. Income tax in the consolidated statement of comprehensive income *(continued)*

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

	2015 *RMB'000*	2014 *RMB'000*
(Loss)/profit before taxation	**(22,543)**	169,096
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**(5,636)**	42,274
Rate differential	**(1,384)**	2,380
Tax effect of non-deductible expenses net of non-taxable income	**93**	58
Current year losses for which no deferred tax asset was recognised	**51,841**	42,445
Temporary difference for which no deferred tax asset was recognised	**1,431**	1,767
Utilisation of previously unrecognised tax loss	**(1,092)**	(593)
Deferred withholding tax liabilities on the expected profits distribution by the Group's PRC subsidiaries	**5,519**	8,817
Over provision in prior years	**(152)**	(662)
Actual tax expense	**50,620**	96,486

9. Directors' emoluments

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulations are as follows:

	Director's fees *RMB'000*	**Basic salaries, allowances and other benefits** *RMB'000*	**Contributions to retirement benefit scheme** *RMB'000*	**Total 2015** *RMB'000*
Executive Directors				
Mr. Alfred Chan Kai Tai	**—**	**852**	**—**	**852**
Mr. Pierre Frank Bourque	**—**	**809**	**—**	**809**
Mr. He Kun*	**—**	**206**	**19**	**225**
Independent Non-Executive directors				
Mr. Lin Tao	**100**	**—**	**—**	**100**
Mr. Zheng Wanhe	**100**	**—**	**—**	**100**
Mr. Antonio Delfin Gregorio	**100**	**—**	**—**	**100**
	300	**1,867**	**19**	**2,186**

9. Directors' emoluments *(continued)*

	Director's fees *RMB'000*	Basic salaries, allowances and other benefits *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total 2014 *RMB'000*
Executive Directors				
Mr. Alfred Chan Kai Tai	—	790	—	790
Mr. Pierre Frank Bourque	—	772	—	772
Mr. He Kun*	—	93	9	102
Non-Executive director				
Mr. Ian Richard Hylton#	12	355	—	367
Independent Non-Executive directors				
Mr. Lin Tao	111	—	—	111
Mr. Zheng Wanhe	86	—	—	86
Mr. Antonio Delfin Gregorio	86	—	—	86
	295	2,010	9	2,314

Note 1:

Mr. Ian Richard Hylton resigned as a non-executive director of the Company with effect from 21 July 2014.

* *Mr. He Kun was appointed as an executive director of the Company with effect from 21 July 2014.*

(a) No bonuses were paid or payable as at 31 December 2015 and 2014 by the Group to the directors which were discretionary or based on the Group's or any member of the Group's performance.

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2014: nil) is a director whose remuneration is disclosed in note 9. The aggregate of the emoluments in respect of the five (2014: five) individuals are as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Basic salaries, allowances and other benefits	**7,800**	7,486

The emoluments of the five (2014: five) individuals with the highest emoluments are within the following bands:

		2015 **Number of individuals**	2014 Number of individuals
HKD1,000,001 – 1,500,000	(RMB equivalent: 837,801 – 1,256,700)	**2**	1
HKD1,500,001 – 2,000,000	(RMB equivalent: 1,256,701 – 1,675,600)	**2**	2
HKD2,000,001 – 4,000,000	(RMB equivalent: 1,675,601 – 3,351,200)	**1**	2
		5	5

During the relevant period, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(Expressed in Renminbi Yuan)

11. Loss/(profit) attributable to equity shareholders of the Company

The consolidated loss/(profit) attributable to equity shareholders of the Company includes a profit of RMB4,318 thousand (2014: loss of RMB41,898 thousand) which has been dealt with in the financial statements of the Company.

12. (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 RMB72,730 thousand (2014: profit of RMB73,238 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 RMB72,730 thousand (2014: profit of RMB73,238 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 26, 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.

13. 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

13. Related party transactions *(continued)*

(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 ("王府井國際") 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.

Mr. Edward Tan resigned as director and Mr. Alfred Chan resigned as Chairman of PCD Group on 2 July 2013. Mr. 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.

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

Total remuneration is included in "personnel expenses" (see note 6).

(b) Contribution to defined contribution retirement plans

Details of post-employment benefit plans for the Group's employees are disclosed in note 6.

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

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

	2015	2014
	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**	—

13. Related party transactions *(continued)*

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

(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 RMB64,628 thousand during the period from 1 January 2015 to 24 July 2015 (2014: RMB123,759 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.

(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 USD500,000 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.

13. Related party transactions *(continued)*

(e) Other transactions

	2015	2014
	RMB'000	*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.

14. Lease prepayments

	2015	2014
	RMB'000	*RMB'000*
Cost		
Balance at beginning and end of year	**25,340**	25,340
Accumulated amortisation		
Balance at beginning of year	**(1,777)**	(1,059)
Amortisation charge for the year	**(793)**	(718)
Balance at end of year	**(2,570)**	(1,777)
Net book value		
At end of year	**22,770**	23,563

The lease prepayments of the Group represented rentals prepaid in obtaining land use rights in the PRC for a period of 50 years.

15. Property, plant and equipment

	Plant and buildings RMB'000	Machinery RMB'000	Fixtures, fittings and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
Balance at 1 January 2014	345,853	41,488	522,418	590	910,349
Addition, net of subsidy received	(29,580)*	755	60,104	56,069	87,348
Transfer from construction in progress	—	—	14,512	(14,512)	—
Disposals	—	(530)	(46,314)	—	(46,844)
Balance at 31 December 2014	316,273	41,713	550,720	42,147	950,853
Balance at 1 January 2015	316,273	41,713	550,720	42,147	950,853
Addition	—	139	77,196	42,145	119,480
Transfer from construction in progress	—	—	66,531	(66,531)	—
Disposals	—	(4)	(39,818)	—	(39,822)
Balance at 31 December 2015	316,273	41,848	654,629	17,761	1,030,511
Depreciation					
Balance at 1 January 2014	48,120	25,169	353,116	—	426,405
Depreciation charge for the year	6,593	2,875	105,182	—	114,650
Disposals	—	(529)	(45,943)	—	(46,472)
Balance at 31 December 2014	54,713	27,515	412,355	—	494,583
Balance at 1 January 2015	54,713	27,515	412,355	—	494,583
Depreciation charge for the year	10,696	2,436	92,238	—	105,370
Impairment loss for the year	—	—	28,716	—	28,716
Disposals	—	(4)	(37,058)	—	(37,062)
Balance at 31 December 2015	65,409	29,947	496,251	—	591,607
Net book value					
At 31 December 2015	250,864	11,901	158,378	17,761	438,904
At 31 December 2014	261,560	14,198	138,365	42,147	456,270

As at 31 December 2015, carrying amount of buildings pledged as collateral of the Group's bank loans was RMB16,679 thousand (31 December 2014: Nil).

All of the buildings owned by the Group are located in the PRC on land under medium term leases.

15. Property, plant and equipment *(continued)*

* *In 2014, the Group received cash subsidy of RMB31,000 thousand from local government relating to its plant construction completed in 2011. The subsidy was deducted from the carrying amount of the assets in accordance with the policy set out in note 1(t) and is being effectively recognised over the useful life of the assets by way of reduced depreciation expense.*

Impairment loss

As at 31 December 2015, the Group reviewed the performance on its retails stores and identified that a number of retail stores are under-performing. As a result, the Group assessed the recoverable amounts of leasehold improvements of these stores. Based on the assessment results, the carrying amount of leasehold improvement of certain stores was written down to their recoverable amount with an impairment loss of RMB28,716 thousand recognised, which is included in "Other operating expenses" in the consolidated statement of comprehensive income.

16. Income tax in the consolidated balance sheet represents:

(a) Current taxation in the consolidated balance sheet represents:

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of year	**50,195**	41,948
Provision for income tax for the year	**69,121**	117,419
Transfer from deferred taxation (see note 16 b(i) below)	**17,217**	—
Paid during the year	**(117,940)**	(109,172)
Balance at end of year	**18,593**	50,195

(b) Deferred tax assets and liabilities recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Bad debt provision	**Stock provision**	**Undistributed profits of subsidiaries**	**Tax losses carried forward**	**Property, plant and equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	—	124,248	(8,626)	3,282	2,000	120,904
Credited/(charged) to profit or loss (see note 8 (a))	1,250	22,513	(8,817)	(2,066)	8,053	20,933
At 31 December 2014	1,250	146,761	(17,443)	1,216	10,053	141,837
At 1 January 2015	1,250	146,761	(17,443)	1,216	10,053	141,837
Credited/(charged) to profit or loss (see note 8 (a))	—	23,650	(5,519)	(1,216)	1,586	18,501
Transfer to current tax (see note 16 (a))	—	—	17,217	—	—	17,217
At 31 December 2015	1,250	170,411	(5,745)	—	11,639	177,555

16. Income tax in the consolidated balance sheet represents *(continued)*:

(b) Deferred tax assets and liabilities recognised *(continued)*

(ii) Reconciliation to the consolidated balance sheet

	2015	2014
	RMB'000	*RMB'000*
Net deferred tax asset recognised on the balance sheet	**183,300**	159,280
Net deferred tax liability recognised on the balance sheet	**(5,745)**	(17,443)
	177,555	141,837

(c) Deferred tax asset not recognised

Deferred tax asset has not been recognised in respect of the following item:

	2015	2014
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**112,822**	76,788

A deferred tax asset has not been recognised in respect of the above item because it is not probable that sufficient future taxable profits will be available against which the subsidiaries can utilise the benefits therefrom.

(d) Deferred tax liabilities not recognised

Pursuant to the EIT law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008. As at 31 December 2015, deferred tax liabilities of RMB98,987 thousand (31 December 2014: RMB96,430 thousand) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits earned by the Group's subsidiaries in the PRC will not be distributed in the foreseeable future.

17. Pledged bank deposits

An analysis of the balance of pledged bank deposits is set out below:

	2015	2014
	RMB'000	*RMB'000*
Pledged bank deposits maturing within one year		
— For guarantee (see note 24)	**104,125**	283,248
— Others	**6,803**	1,697
	110,928	284,945

18. Inventories

Inventories comprise:

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**73,087**	80,120
Work in progress	**36,659**	31,959
Finished goods	**629,981**	606,484
Goods in transit	**3,775**	2,988
	743,502	721,551

The analysis of the amount of inventories recognised as an expense is as follows:

	2015	2014
	RMB'000	*RMB'000*
Cost of sales	**312,118**	361,364
Inventory provision	**188,531**	172,488
	500,649	533,852

19. Trade and other receivables, deposits and prepayments

	At 31 December 2015	At 31 December 2014
	RMB'000	*RMB'000*
Accounts receivable	**172,954**	205,112
Less: allowance for doubtful debts (see note (ii) below)	**(5,000)**	(5,000)
	167,954	200,112
Amounts due from related parties (see note 23)	**3,989**	21,036
Advances to suppliers	**19,248**	17,794
Other receivables, deposits and prepayments	**155,522**	125,341
	346,713	364,283

19. Trade and other receivables, deposits and prepayments *(continued)*

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

	At 31 December 2015 *RMB'000*	At 31 December 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
Total	**167,954**	200,112

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

(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 (see note 1(j)(i)).

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

	2015 *RMB'000*	2014 *RMB'000*
As at 1 January	**5,000**	—
Impairment loss recognised	**—**	5,000
As at 31 December	**5,000**	5,000

As at 31 December 2015, the Group's accounts receivable of RMB8,730 thousand (31 December 2014: RMB9,944 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 RMB5,000 thousand (31 December 2014: RMB5,000 thousand) was recognised.

Details of the Group's credit policy and credit risk exposure are set out in note 30 (a).

19. 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:

	At 31 December 2015 *RMB'000*	At 31 December 2014 *RMB'000*
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.

20. Fixed deposits with banks

Fixed deposits with banks on the consolidated balance sheet represent bank deposits with maturity over 3 months at acquisition.

21. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	2015 *RMB'000*	2014 *RMB'000*
Cash at bank and on hand	**300,665**	331,249
Time deposits with banks	**207,293**	187,927
	507,958	519,176

Time deposits with banks included in cash and cash equivalents are within three months of maturity at acquisition.

22. Trade payables, other payables and accruals

	At 31 December 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Current		
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 23)	**7,087**	2,440
Dividends payable to the equity shareholders of the Company	**3**	3
	282,587	219,126
Non-Current		
Other creditors and accruals	**83,512**	62,887
Total	**366,099**	282,013

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

	2015 *RMB'000*	2014 *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	**4,364**	3,492
	75,341	85,240

23. Amounts due from/(to) related parties

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

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

23. Amounts due from/(to) related parties *(continued)*

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

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

24. Interest-bearing borrowings

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

	At 31 December 2015	At 31 December 2014
	RMB'000	*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:

	At 31 December 2015	At 31 December 2014
	RMB'000	*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 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 RMB104,125 thousand (2014: RMB283,248 thousand) placed with banks located in the PRC as security.

24. Interest-bearing borrowings *(continued)*

As at 31 December 2015, certain bank loans of the Group were secured by mortgages over buildings with an aggregate carrying amount of RMB16,679 thousand (2014: nil).

The Renminbi equivalent of banking facilities of the Group amounted to RMB627,402 thousand (2014: RMB1,069,271 thousand), of which RMB627,402 thousand (2014: RMB724,486 thousand) were utilised as at 31 December 2015.

25. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital	Capital reserve – staff share options issued (undistributable)	Share premium	Contributed surplus	Retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014		1,474	126,537	443,348	9,578	49,687	630,624
Total comprehensive income for the year		—	—	—	—	(41,898)	(41,898)
Balance at 31 December 2014		1,474	126,537	443,348	9,578	7,789	588,726
Balance at 1 January 2015		1,474	126,537	443,348	9,578	7,789	588,726
Total comprehensive income for the year		—	—	—	—	4,318	4,318
Share option expired during the year	26	—	(126,537)	—	—	126,537	—
Balance at 31 December 2015		1,474	—	443,348	9,578	138,644	593,044

(b) Dividends

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

25. Capital, reserves and dividends *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2015		2014	
	Number of shares	**Amount *HK$'000***	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.0025 each	**3,600,000,000**	**9,000**	3,600,000,000	9,000
	3,600,000,000	**9,000**	3,600,000,000	9,000
Issued and fully paid:				
At the beginning and end of the year	**554,453,492**	**1,386**	554,453,492	1,386
		***RMB'000* equivalent**		*RMB'000* equivalent
		1,474		1,474

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.

(ii) Shares issued under share option scheme

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. Details of the share option scheme are disclosed in note 26.

25. Capital, reserves and dividends *(continued)*

(d) Nature and purpose of reserves

The Group

PRC statutory reserves

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

(i) General reserve fund

The subsidiaries in the PRC are required to transfer at least 10% of their profit after taxation, as determined under the PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The general reserve fund can be used to make good losses and convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

(ii) Enterprise expansion fund

The transfers from retained earnings to the enterprise expansion fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries and were approved by the respective boards of directors.

The enterprise expansion fund can be used to convert into share capital, to acquire fixed assets and to increase current assets.

The Company

(i) Share premium

Under the Companies Act 1981 of Bermuda (as amended), the share premium account is distributable in the form of fully paid bonus shares.

(ii) Contributed surplus

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Pursuant to a shareholders' special resolution dated 1 June 2010, the Company's Bye-laws were amended so that dividends may be paid out of contributed surplus.

(iii) Distributability of reserves

In the opinion of the directors, the aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2015 was RMB149,884 thousand (2014: RMB17,367 thousand).

26. 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.

(Expressed in Renminbi Yuan)

26. 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:

	Number of shares involved in the options	**Vesting conditions**	**Contractual life of options**
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	54,324,000		

(Expressed in Renminbi Yuan)

26. Equity settled share-based transactions *(continued)*

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

	2015		2014	
	Weighted average exercise price	**Number of shares involved in the options**	Weighted average exercise price	Number of shares involved in the options
Outstanding at beginning of year	**HK$16.356**	**25,249,592**	HK$16.381	25,925,602
Exercised	**Nil**	**—**	Nil	—
Lapsed	**HK$16.340**	**(24,844,412)**	Nil	—
Forfeited	**Nil**	**—**	HK$17.320	(676,010)
Cancelled	**HK$17.320**	**(405,180)**	—	—
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 RMB126,537 thousands in respect of these lapsed share options were released to retained profit in accordance with accounting policy set out in note 1(q)(ii).

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

26. 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

	Granted in 2009	**Granted in 2006**	**Granted in 2003**
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
Expected volatility	64.333%~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.

27. Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio and gearing ratio, calculated as interest-bearing borrowings over equity. For this purpose the Group defines debt and equity as total liabilities excluding deferred tax liabilities and total equity respectively.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-equity ratio and gearing ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions and in compliance with financial covenants imposed by the bankers. In order to maintain or adjust the ratios, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The debt-to-equity ratio and gearing ratio at 31 December 2015 and 2014 was as follows:

	Note	**2015** **RMB'000**	2014 *RMB'000*
Trade payables, other payables and accruals	*22*	**366,099**	282,013
Interest-bearing borrowings	*24*	**306,530**	602,106
Current taxation	*16(a)*	**18,593**	50,195
Total debt		**691,222**	934,314
Total equity		**2,013,421**	2,096,848
Debt-to-equity ratio		**34%**	45%
Gearing ratio		**15%**	29%

The bank loan facilities utilised by the Group are subject to the fulfilment of financial covenants. The draw down facilities would become payable on demand should the Group be unable to fulfil these covenants. The Group regularly monitors its compliance with these covenants.

28. Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are subsidiaries as defined under note 1(d) and have been consolidated into the consolidated financial statements.

Name of subsidiary	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up share/ authorised capital (in thousands)	Paid-up/ registered capital (in thousands)	Principal activities
Ports Asia Holdings Limited	British Virgin Islands	100	—	USD11/USD50	—	Sales of garments and investment holding
Ports International Marketing Ltd.	British Virgin Islands	100	—	USD0.1/USD0.1	—	Sales of garments
Smythe Trading Company Limited	Samoa Islands	99.9	0.1	USD1/USD1,000	—	Sales of garments
Ports Asia Holding (Hong Kong) Limited	Hong Kong	—	100	300,000 shares/ 300,000 shares	—	Sales of garments and investment holding
Ports Retail (H.K.) Limited	Hong Kong	—	100	300,000 shares/ 300,000 shares	—	Sales of garments
Ports 1961 Retail Limited	Hong Kong	—	100	300,000 shares/ 300,000 shares	—	Sales of garments
Ports 1961 Macau Limited	Macau	—	100	MOP25/MOP25	—	Sales of garments
Ports International (Beijing) Co., Ltd.	PRC	—	100	—	USD1,850/ USD1,850	Manufacturing and sales of garments
Ports International Marketing (Xiamen) Ltd.	PRC	—	100	—	USD14,100/ USD14,100	Manufacturing and sales of garments
Cpax Ltd. (formerly known as Century Ports Apparel Xiamen Ltd.)	PRC	—	100	—	USD374/USD374	Manufacturing and sales of garments
Ports Fashion (Xiamen) Ltd.	PRC	—	100	—	RMB322,000/ RMB322,000	Manufacturing and sales of garments
Xiamen Weijue Optical Co., Ltd.	PRC	—	51	—	RMB28,000/ RMB28,000	Manufacturing of glasses
Xiamen Baozhan Trading Co., Ltd	PRC	—	51	—	RMB2,000/ RMB2,000	Sales of glasses
Ports 1961 USA Inc.	USA	—	100	USD200/USD200	—	Sales of garments
Ports 1961 Italy SPA	Italy	—	99	EUR1,000/EUR1,000	—	Manufacturing and sales of garments

\# *All the subsidiaries incorporated in Mainland China are wholly foreign owned enterprises, except for Ports Fashion (Xiamen) Ltd, Xiamen Weijue Optical Co., Ltd and Xiamen Baozhan Trading Co., Ltd, which are domestic enterprises.*

Foreign exchange control regulations in China impose restrictions on fund flows between subsidiaries located in China and other entities within the Group.

The directors are of the view that the Group had no individually material non-controlling interest as at 31 December 2015.

29. 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 RMB180,000 thousand (the "6% Disposal"). The consideration of RMB180,000 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 RMB180,000 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 RMB420,000 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.

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 RMB180,000 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 the above mentioned transactions.

(b) As disclosed in note 13 (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.

30. Financial risk management and fair values of financial instruments

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

More than 60 percent of the Group's customers have been transacting with the Group for at least 2 years, and losses have occurred infrequently. 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 may take into account information specific to the customer. Normally, the Group does not obtain collateral from customers.

The Group does not provide any other guarantees which would expose the Group to credit risk. No single customer of the Group accounted for greater than 10% of the Group's revenue.

(b) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk, and fair value interest rate risk respectively.

The Group normally borrows short-term bank loans which have short-term maturity ranging from 1–12 months and carry relatively fixed rates in order to limit its exposure to interest rate risk.

At the balance sheet date, the Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's cash and cash equivalents, fixed deposits with banks, pledged bank deposits and interest-bearing borrowings at the balance sheet date.

	2015		2014	
	Effective interest rate	***RMB'000***	Effective interest rate	*RMB'000*
Fixed rate instruments				
Cash and cash equivalents	**1.35%~1.75%**	**207,293**	0.56%~3.12%	187,927
Fixed deposits with banks	**1.28%~3.30%**	**351,772**	2.81%~3.30%	511,115
Pledged bank deposits	**2.25%~3.30%**	**110,539**	3.25%~4.13%	283,248
		669,604		982,290
Variable rate instruments				
Cash and cash equivalents	**0.01%~0.35%**	**300,665**	0.01%~0.35%	331,249
Pledged bank deposits	**4.40%**	**389**	0.35%	1,697
Interest-bearing borrowings	**0.95%~4.40%**	**(306,530)**	1.44%~2.40%	(602,106)
		(5,476)		(269,160)

30. Financial risk management and fair values of financial instruments *(continued)*

(b) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase of 500 basis points in interest rates, with all other variables held constant, would have decreased the Group's loss after tax and increased retained profits by approximately RMB274 thousand (2014: increased the Group's profit after tax and retained profit by approximately RMB594 thousand).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2014.

(c) Foreign currency risk

The Group is exposed to currency risks primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollars, Euros and Hong Kong Dollars.

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

In respect of trade and other receivables, trade and other payables and borrowings held in a currency other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	As at 31 December 2015		
	United States Dollars *RMB'000*	**Hong Kong Dollars** *RMB'000*	**Euro** *RMB'000*
Trade and other receivables	**20,546**	**28,506**	**39,757**
Cash and cash equivalents	**76,005**	**16,731**	**6,327**
Fixed deposits with banks	**64,994**	**—**	**—**
Trade and other payables	**(4,647)**	**(61,235)**	**(19,526)**
Interest-bearing borrowings	**(299,355)**	**—**	**—**
Overall net exposure	**(142,457)**	**(15,998)**	**26,558**

30. Financial risk management and fair values of financial instruments *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk (continued)

	As at 31 December 2014		
	United States Dollars *RMB'000*	Hong Kong Dollars *RMB'000*	Euro *RMB'000*
Trade and other receivables	21,565	28,431	36,577
Cash and cash equivalents	49,073	39,580	15,896
Trade and other payables	(12,391)	(48,437)	(8,806)
Interest-bearing borrowings	(484,166)	(117,940)	—
Overall net exposure	(425,919)	(98,366)	43,667

(ii) Sensitivity analysis

The following table indicates the instantaneous increase/(decrease) in the Group's (loss)/profit after tax and consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2015		2014	
	Increase/ (decrease) in the Group's loss after tax ***RMB'000***	**Increase/ (decrease) in consolidated equity** ***RMB'000***	Increase/ (decrease) in the Group's profit after tax *RMB'000*	Increase/ (decrease) in consolidated equity *RMB'000*
United States Dollars				
— 5% strengthening of RMB	**(9,192)**	**(9,192)**	20,493	20,493
— 5% weakening of RMB	**9,192**	**9,192**	(20,493)	(20,493)
Euros				
— 5% strengthening of RMB	**978**	**978**	(5,176)	(5,176)
— 5% weakening of RMB	**(978)**	**(978)**	5,176	5,176
Hong Kong Dollars				
— 5% strengthening of RMB	**(589)**	**(589)**	1,608	1,608
— 5% weakening of RMB	**589**	**589**	(1,608)	(1,608)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

30. Financial risk management and fair values of financial instruments *(continued)*

(c) Foreign currency risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2014.

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	As at 31 December 2015				
	Within 1 year or on demand *RMB'000*	**Within 2 years but over 1 year** *RMB'000*	**Over 2 years** *RMB'000*	**Undiscounted contractual cash flow** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables excluding advance receipts from customers and deferred income	**223,505**	**6,828**	**76,684**	**307,017**	**307,017**
Secured interest-bearing borrowings	**176,141**	**1,988**	**4,219**	**182,348**	**180,554**
Unsecured interest-bearing borrowings	**126,909**	**—**	**—**	**126,909**	**125,976**
Total	**526,555**	**8,816**	**80,903**	**616,274**	**613,547**

30. Financial risk management and fair values of financial instruments *(continued)*

(d) Liquidity risk *(continued)*

	As at 31 December 2014				
	Within 1year or on demand RMB'000	Within 2 years but over 1 year RMB'000	Over 2 years RMB'000	Undiscounted contractual cash flow RMB'000	Carrying amount RMB'000
Trade and other payables excluding advance receipts from customers and deferred income	186,837	10,917	51,970	249,724	249,724
Secured interest-bearing borrowings	485,193	—	—	485,193	484,166
Unsecured interest-bearing borrowings	118,256	—	—	118,256	117,940
Total	790,286	10,917	51,970	853,173	851,830

The carrying amounts of all financial liabilities as at the respective balance sheet date represent the total contractual undiscounted cash flows for settling these financial liabilities within the next year. At the balance sheet date, the Group do not have any derivative financial liabilities.

(e) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

30. Financial risk management and fair values of financial instruments *(continued)*

(e) Fair value measurement *(continued)*

	Fair value measurements at 31 December 2015 using			
	Fair value at 31 December 2015 *RMB'000*	**Quoted prices in active market for identical assets (Level 1)** *RMB'000*	**Significant other observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*
Recurring fair value measurement				
Financial assets:				
Trading securities	**1,590**	**1,590**	**—**	**—**

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting period in which they occurred.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

31. Commitments

(a) Operating lease commitments

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

	2015 *RMB'000*	2014 *RMB'000*
Less than one year	**204,010**	214,274
Between one and five years	**695,864**	661,524
More than five years	**518,539**	614,882
	1,418,413	1,490,680

The leases normally run for an initial period of one to twelve 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 turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

31. Commitments *(continued)*

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2015 and 2014 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2015	2014
	RMB'000	*RMB'000*
Authorised but not contracted for	**57,000**	43,500

32. Company-level balance sheet

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Investments in subsidiaries		**330,392**	328,877
		330,392	328,877
Current assets			
Trade and other receivables, deposits and prepayments		**274,508**	271,838
Cash and cash equivalents		**1,286**	1,217
		275,794	273,055
Current liabilities			
Trade payables, other payables and accruals		**13,142**	13,206
		13,142	13,206
Net current assets		**262,652**	259,849
Net assets		**593,044**	588,726
Capital and reserves	25		
Share capital		**1,474**	1,474
Reserves		**591,570**	587,252
Total equity		**593,044**	588,726

(Expressed in Renminbi Yuan)

33. Immediate and ultimate controlling party

As at 31 December 2015, the directors consider the immediate parent and ultimate controlling party of the Group to be CFS International Inc. and Ports International Enterprises Limited respectively, which are incorporated in Canada and British Virgin Islands respectively.

34. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2015

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Amendments to IAS1, Disclosure initiative	1 January 2016
• Annual improvements to IFRS 2012–2014 cycle	1 January 2016
• Amendments to IFRS 11, Accounting for acquisitions of interests in joint ventures	1 January 2016
• Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
• Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
• Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
• IFRS 15, Revenue from contracts with customers	1 January 2017
• IFRS 9, Financial Instruments	1 January 2018
• IFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment on what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except of the following.

IFRS 16 Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 *Leases* and the related interpretations including IFRIC 4 *Determining whether an arrangement contains a lease*.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRS 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.