PORTICO INTERNATIONAL HOLDINGS LIMITED

PORTICO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 0589)

INTERIM REPORT 2017

CONTENTS

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 mainland China, Hong Kong, the U.S., Canada and Europe. As at 30 June 2017, the Group operated 356 retail stores in mainland China, Hong Kong, the U.S., Canada and Europe as compared with 343 retail stores as at 31 December 2016. The Group currently operates most of its business activities in the People's Republic of China ("PRC") market and is one of the leading international fashion companies in the PRC.

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 the PRC, 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 one reportable segment under "retail" and the revenue generated from other business activities. The Retail segment mainly comprises of the branded products retail business. The revenue generated from other business activities 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 apparel and eyewear.

CORPORATE INFORMATION

Directors

Executive Directors:

Mr. Alfred Chan Kai Tai *(Chairman)*
Mr. Anthony Paul Chan *(Chief Executive Officer)*
Ms. Jenny Ching Ching Tan
(President and Chief Operating Officer)
Mr. He Kun

Independent Non-executive Directors:

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

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 Fung Mei

Authorized Representatives

Mr. Alfred Chan Kai Tai
Ms. Jenny Ching Ching Tan

Audit Committee

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

Remuneration Committee

Mr. Zheng Wanhe *(Chairman)*
Mr. Alfred Chan Kai Tai
Mr. Antonio Delfin Gregorio

Nomination Committee

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

Principal Share Registrar and Transfer Office

Estera Management (Bermuda) Limited
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

Bank of China 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

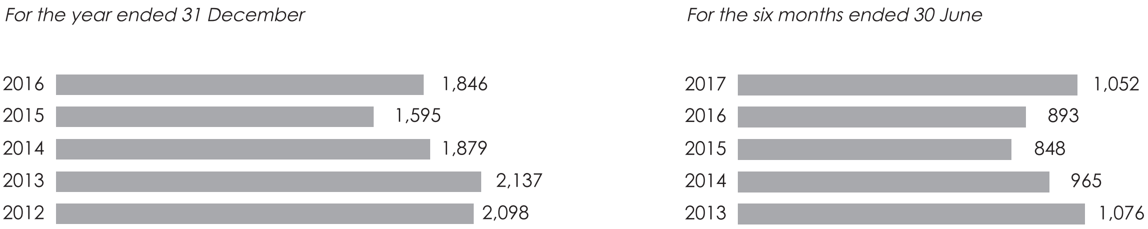
FIVE-YEAR FINANCIAL SUMMARY

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

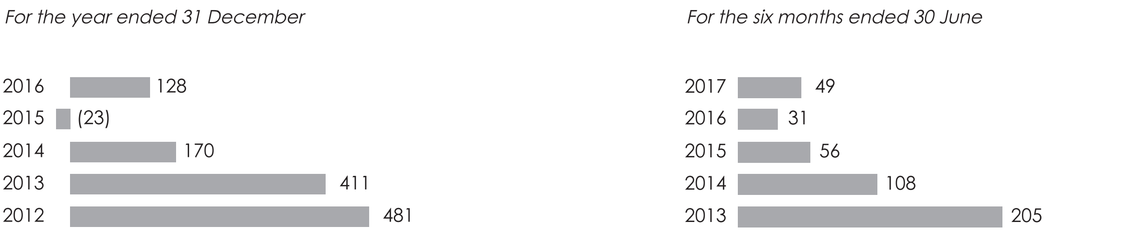
	For the six months ended 30 June		For the year ended 31 December				
	2017	2016	2016	2015	2014	2013	2012
Results							
Revenue	**1,052**	893	1,846	1,595	1,879	2,137	2,098
Profit/(loss) from operations	**49**	31	128	(23)	170	411	481
Profit/(loss) attributable to equity shareholders	**5**	4	40	(73)	73	293	351

	As at 30 June		As at 31 December				
	2017	2016	2016	2015	2014	2013	2012
Assets and liabilities							
Non-current assets	**626**	647	678	648	648	646	703
Current assets	**1,988**	1,759	1,957	2,062	2,401	2,383	2,318
Current liabilities	**399**	289	447	602	871	975	1,087
Net current assets	**1,590**	1,470	1,510	1,460	1,530	1,408	1,231
Total assets less current liabilities	**2,216**	2,116	2,188	2,108	2,177	2,054	1,933
Non-current liabilities	**139**	100	125	95	80	31	81
Equity attributable to equity shareholders of the Company	**2,049**	1,994	2,038	1,993	2,075	1,997	1,839

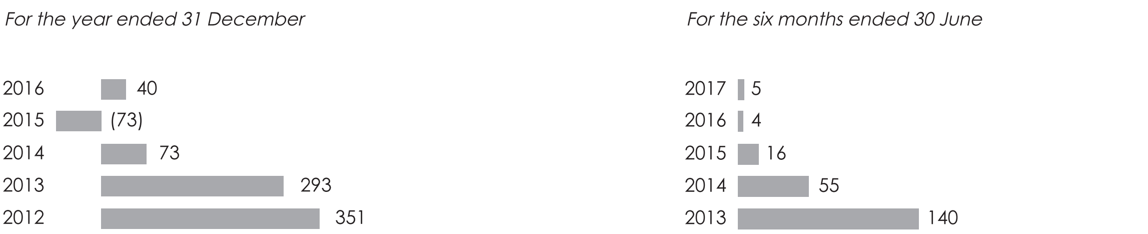
Revenue
(RMB million)



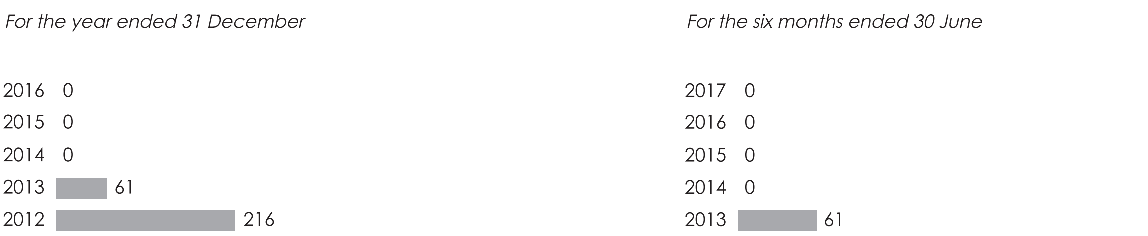
Profit/(loss) from Operations
(RMB million)



Profit/(loss) Attributable to Equity Shareholders
(RMB million)



Dividend History*
(RMB million)



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

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

In the first half of 2017, we built upon many of our initiatives and strategies that have improved operational efficiency across the Group, which together with stringent expenditure controls, have enabled us to successfully combat rising operating costs as well as the tough and competitive business environment in the high end fashion industry. We have recorded improvements in our total revenue (17.9%), profit from operations (57.4%) and net profit (26.5%), respectively, for the six months ended 30 June 2017 ("1H2017") as compared with the six months ended 30 June 2016 ("1H2016").

Apart from the emphasis on the enhancement of our operational performance and standard, the objective of establishing our brand as a top tier fashion label in the industry remains top of our priority. Under the respective leadership of our talented creative directors Natasa Cagalj and Milan Vukmirovic, our womenswear and menswear design teams have continually created charismatic collections which displays a strong sense of individuality and reinforces our brand's character and DNA. Our success have been evident from the high online view rates of our runway, as well as acclaims received from fashion critics and icons, during the London Fashion Week. With the anticipated opening of our new studio in London, our design teams will be provided with an excellent workplace to inspire their creativity and we are confident that our teams will be able to deliver high quality and fashionable collections that excite fashion followers.

At the same time, our management team will leverage on the experience and network in various industries to identify opportunities which fit the Company's investment and business strategies, with the view of bringing reasonable and sustainable returns to the Group and our shareholders. Nonetheless, we will exercise our diligence and caution in the assessment and identification process to ensure that the resources of the Group are appropriately utilized.

Last but not the least, I would like to express my heartfelt gratitude to our customers, suppliers and business partners for their support of the Group and most importantly, to my fellow board members and colleagues for their dedication and contribution towards the Group's development.

Anthony P. Chan
Chief Executive Officer and Executive Director

25 August 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2017, we have recorded a 17.9% increase in top line revenue as compared to the corresponding period in 2016. Our management considers that such positive result is attributable to the success in our distribution strategy in target markets, together with improvement in the performance across our retail store network.

Hard work has paid off with regard to our distribution business in newly established markets. Our distribution partners in certain target markets, for instance, Japan and South Korea, have offered us invaluable local knowledge and connection and at the same time, complement our distribution network. Such cooperation has reduced our business risks by minimizing our capital investments and administrative burden in locations which are relatively new to the Group. This is important from risk management perspective, given the uncertainty of the economic conditions and relatively weak consumption appetite across the globe. Credit must be given to our business team and marketing team which help to ensure that the operations and marketing works of our business partners are able to meet the high standard expected from, and consistently practiced by, the Group.

We are particularly pleased with our marketing exposure in South Korea, which is of growing importance to the luxury fashion industry, where fashion lovers and artists have often been spotted by press or their social media platforms wearing Ports 1961 collections, whether in private or in public functions. Their "Instagram", "Facebook" and other local social media platforms have all served as important and effective marketing tools for the promotion and introduction of our labels and collections to the local target customers. At the same time, we have also witnessed the growing recognition of our Ports 1961 label in traditionally important fashion markets. For instance, the runway shows of our Ports 1961 FW 17 womenswear collection, designed by our creative director Natasa Cagalj, have attracted great attention during the London Fashion Week and has reinforced the status of Ports 1961 as an important member in the fashion industry.

Looking ahead to the second half of 2017, we aim to continually improve the overall efficiency of our operations to ensure that we can deliver and execute our strategies at a consistently high standard across and among different departments. We will invest our capital resources with the objectives of solidifying the position of Ports 1961 as a global international fashion label on one hand and introducing PortsPURE to address the growing popularity of the affordable luxury segment on the other hand. Our management considers that there are enormous potentials in both labels and coupled with our solid performance in the licensed brand divisions, we are cautiously optimistic about the overall performance of the Group in long term.

REVENUE

Revenue of the Group increased from RMB892.7 million in 1H2016 to RMB1,052.4 million in 1H2017, representing an increase of 17.9%. Revenue comprises one reportable segment under "retail" and revenue generated from other business activities. Please refer to note 3(b) under the section "Notes to the unaudited interim financial statements" for further details.

Retail Segment Revenue

Retail segment revenue increased from RMB813.0 million in 1H2016 to RMB971.9 million in 1H2017, representing an increase of 19.5%. Such increase was attributed to the gradual recovery of the luxury fashion retail environment and the increasing recognition of our core label "Ports 1961" and newly launched label "PortsPURE" among fashion lovers. As at 30 June 2017, the Group operated 356 retail stores in the mainland China, Hong Kong, the U.S. and Canada, as compared to 343 retail stores as at 31 December 2016. In light of the current economic environment, the management of the Group remains cautious about the growth of store network to maximize economic efficiency and the Group will continue to allocate resources to support and grow the online sales activities of the Group. The contribution of Retail segment to total revenue increased from 91.1% in 1H2016 to 92.4% in 1H2017.

Revenue from other business activities

Others revenue slightly increased by 1.0%, from RMB79.7 million in 1H2016 to RMB80.5 million in 1H2017. Such moderate increase was mainly due to the stable revenue generated from our wholesale business in the Euro denominated market and our traditional OEM business. The contribution from Others revenue to total revenue decreased from 8.9% in 1H2016 to 7.6% in 1H2017.

GROSS PROFIT

Gross profit increased from RMB704.2 million in 1H2016 to RMB838.6 million in 1H2017, representing an increase of 19.1%. Gross profit margin slightly increased from 78.9% in 1H2016 to 79.7% in 1H2017.

Retail Segment Gross Profit

Retail segment gross profit increased by 19.0% from RMB682.1 million in 1H2016 to RMB812.0 million in 1H2017. Such increase was mainly attributed to the sales growth in our retail segment. Retail segment gross profit margin slightly decreased from 83.9% in 1H2016 to 83.5% in 1H2017.

Others Segment Gross Profit

Others segment gross profit increased from RMB22.1 million in 1H2016 to RMB26.5 million in 1H2017, representing an increase of 19.9% which resulted from an increase in our wholesale business in the Euro denominated markets. Others segment gross profit margin increased from 27.7% in 1H2016 to 32.9% in 1H2017.

OTHER REVENUE

Other revenue consisted of design and decoration income, insurance compensation, government subsidy as well as rental income. Other revenue increased by 122.4%, from RMB4.9 million in 1H2016 to RMB10.9 million in 1H2017, primarily due to rental income received from the leasing of properties since the beginning of 2017 and the increase in design and decoration income as compared to the corresponding period in 2016.

OPERATING EXPENSES

Operating expenses increased from RMB677.5 million in 1H2016 to RMB800.2 million in 1H2017, representing an increase of 18.1%. Operating expenses consisted of selling and distribution expenses, administrative expenses and other operating expenses. A more detailed breakdown is set out as follows:

Selling and distribution expenses

Selling and distribution expenses mainly comprised of retail store rental charges, salaries and benefits, store and mall expenses, depreciation charges and advertising or consultant service fees. Selling and distribution expenses increased from RMB503.9 million in 1H2016 to RMB567.1 million in 1H2017, representing an increase of 12.5% (1H2016 versus 1H2015: an increase of 1.3%). The increase was mainly due to the increase in retail store rental charges and salaries and benefits for retail sales staff, which were in line with the increase in retail sales of the Group. Selling and distribution expenses as a percentage of retail segment revenue decreased to 58.3% in 1H2017 (1H2016: 62.0%).

Salaries and benefits for retail sales staff increased from RMB113.7 million in 1H2016 to RMB134.0 million in 1H2017, representing an increase of 17.9% (1H2016 versus 1H2015: an increase of 8.3%). Salaries and benefits for retail sales staff as a percentage of retail segment revenue slightly decreased to 13.8% in 1H2017 (1H2016: 14.0%).

Administrative expenses

Administrative expenses decreased from RMB57.7 million in 1H2016 to RMB56.1 million in 1H2017, representing a decrease of 2.8%. Administrative expenses as a percentage of total revenue decreased to 5.3% in 1H2017 (1H2016: 6.5%). The management of the Group has adopted a prudent cost control policy across different departments to ensure that expenses were properly incurred.

Salaries and benefits for administrative staff, the single largest category of administrative expenses, increased from RMB33.3 million in 1H2016 to RMB34.2 million in 1H2017, representing an increase of 2.7%. Salaries and benefits for administrative staff as a percentage of total revenue decreased to 3.2% in 1H2017 (1H2016: 3.7%).

Other operating expenses

Other operating expenses increased from RMB115.9 million in 1H2016 to RMB176.9 million in 1H2017, representing an increase of 52.6% or RMB61.0 million, due to the increases in write-down of inventories and impairment loss of leasehold improvements of retail stores. During 1H2017, the write-down of inventories made as a percentage of retail segment revenue decreased to 13.5% (1H2016: 14.2%).

PROFIT FROM OPERATIONS

The Group's profit from operations increased from RMB31.2 million in 1H2016 to RMB49.1 million in 1H2017, representing an increase of 57.4% or RMB17.9 million. The Group's operating margin (i.e. profit from operations expressed as a percentage of total revenue) increased from 3.5% in 1H2016 to 4.7% in 1H2017. The financial performance of the Group has gradually improved due to the positive trend in our retail and distribution activities, although the significant increase in the impairment loss of leasehold improvements has restricted the growth of the profit from operations for the period.

NET FINANCE INCOME

Net finance income decreased from RMB5.7 million in 1H2016 to RMB1.8 million in 1H2017, representing a decrease of 68.4%. During 1H2017, the Group reported an interest income of RMB5.2 million, representing an increase of RMB0.5 million, from RMB4.7 million in 1H2016. On the other hand, interest expense for the Group decreased by RMB2.3 million, from RMB2.4 million in 1H2016 to RMB0.1 million in 1H2017, due to the reduction of bank loans. The Group recorded an exchange loss of RMB2.5 million in 1H2017, as compared to a gain of RMB5.0 million in 1H2016, as Euros, US dollar, Canadian dollar and HK dollar denominated net assets depreciated against RMB during 1H2017.

INCOME TAX

The Group's income tax expense increased by 40.5% from RMB30.9 million in 1H2016 to RMB43.4 million in 1H2017. The effective income tax rate increased from 83.8% in 1H2016 to 85.3% in 1H2017 due to the fact that a higher portion of revenue is taxable during 1H2017.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

As a result of the factors discussed above, profit attributable to equity shareholders of the Company increased from RMB4.5 million in 1H2016 to RMB5.5 million in 1H2017, representing an increase of 22.2%.

FINANCIAL POSITION, LIQUIDITY AND GEARING RATIO

As at 30 June 2017, the Group had RMB715.2 million (as at 31 December 2016: RMB709.4 million) in cash and cash equivalents, fixed deposits with banks with original maturity over three months and pledged bank deposits. As at 30 June 2017, the Group had bank loans of RMB4.6 million, representing a decrease of 16.4% from RMB5.5 million as at 31 December 2016. As such, interest expenses decreased by 95.8% to RMB0.1 million in 1H2017 (1H2016: RMB2.4 million).

Net cash generated from operations activities was RMB101.2 million in 1H2017 as compared with RMB66.2 million in 1H2016, representing an increase of 52.9% primarily due to the increase in profit before taxation resulted from the increase in retail revenue during 1H2017.

As at 30 June 2017, the Group's gearing ratio was 0.2% (as at 31 December 2016: 0.3%) based on outstanding borrowings and total equity of RMB2,076.5 million (as at 31 December 2016: RMB2,062.7 million). As at 30 June 2017, the current ratio was 4.99 (as at 31 December 2016: 4.38) based on current assets of RMB1,988.5 million (as at 31 December 2016: RMB1,957.0 million) and current liabilities of RMB398.5 million (as at 31 December 2016: RMB447.3 million).

CURRENCY RISK MANAGEMENT

The Group's cash balances from normal business operations are mainly deposited in RMB, US dollar, Canadian dollar, Hong Kong dollar and Euros, with major banks in Hong Kong and the mainland China and hence, the Group is exposed to foreign exchange risk arising from the fluctuation of exchange rate among those currencies. The management will continue to monitor the foreign exchange risks of the Group on a regular basis. The Group does not employ any financial instruments for hedging purposes.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group had capital commitments of RMB57.0 million, as compared with RMB88.5 million as at 31 December 2016, which was authorized but not contracted for. The Group has no material contingent liabilities as at 30 June 2017 (as at 31 December 2016: nil).

CAPITAL STRUCTURE OF THE GROUP

The Group required working capital to support its manufacturing, retail and other operations. As at 30 June 2017, the Group had cash and cash equivalents, fixed deposits with banks with original maturity over three months and pledged bank deposits of RMB715.2 million (as at 31 December 2016: RMB709.4 million), denominated principally in RMB, US dollar, Canadian dollar, Hong Kong dollar and Euros. 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.

As at 30 June 2017, the Group invested in wealth management products and trust products issued by reputable financial institutions in the PRC with the aggregate principals amount of RMB58.0 million (as at 31 December 2016: nil). There are no fixed or determinable returns for these wealth management products and trust products, and the returns of the principals are not guaranteed.

CHARGES ON ASSETS

As at 30 June 2017, the Group's bank deposits in the amount of RMB78.8 million (as at 31 December 2016: RMB59.5 million) and buildings in the amount of RMB16.1 million (as at 31 December 2016: RMB16.6 million) were pledged to secure bank borrowings, letter of credit and letter of guarantee and foreign currency swap contracts granted to the Group in connection with its operation in the ordinary course of business.

HUMAN RESOURCES

As at 30 June 2017, the Group had approximately 4,500 employees (as at 31 December 2016: 4,500 employees). Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB227.2 million in 1H2017, compared with RMB204.9 million in 1H2016, representing an increase of 10.9%. In 1H2017, total personnel expenses as a percentage of the Group's revenue was at 21.6% (1H2016: 23.0%).

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

The board of Directors ("Directors") of the Company (the "Board") believes that high standards of corporate governance would effectively enhance the Company's value and safeguard the interests of shareholders. The Company is committed to the maintenance of good corporate governance practices within the Group. Below is a summary of the key areas in this regard:

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 six months ended 30 June 2017("1H2017").

Corporate Governance Code

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules during 1H2017.

Audit Committee

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

The Audit Committee has reviewed this interim report, comprising the unaudited consolidated financial statements of the Company for 1H2017. The unaudited interim financial report of the Company for 1H2017 has also been reviewed by KPMG, external auditors of the Company.

OTHER INFORMATION

Directors

The Directors of the Company for the six months ended 30 June 2017 were:

Executive Directors:
Mr. Alfred Chan Kai Tai *(Chairman)*
Mr. Anthony Paul Chan *(Chief Executive Officer)*
Ms. Jenny Ching Ching Tan *(President and Chief Operating Officer)*
Mr. He Kun

Independent Non-executive Directors:
Mr. Lin Tao
Mr. Zheng Wanhe
Mr. Antonio Delfin Gregorio

Change in Information of Directors

The Company is not aware of any information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for year ended 31 December 2016.

Directors' and Chief Executives' Interests

As at 30 June 2017, the interests and 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 maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are 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 Kai Tai[1]	400,000 (L)	412,893,389 (L)	413,293,389 (L)	74.54 (L)
Mr. Anthony Paul Chan	1,113,500 (L)	0	1,113,500 (L)	0.20 (L)
Ms. Jenny Ching Ching Tan	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 Delfin Gregorio	0	0	0	0

(L)— Long Position

Note:

1. *Mr. Alfred Chan Kai Tai owned 50% of the shareholding interest of Ports International Enterprises Limited ("PIEL"). As at 30 June 2017, PIEL held a long position of 162,705,752 Shares directly. 250,187,637 Shares were owned by CFS International Inc. ("CFS"), a direct subsidiary of PIEL. Mr. Alfred Chan Kai Tai was deemed to be interested in 74.47% of the issued share capital of the Company by virtue of his interests in PIEL pursuant to Part XV of the SFO.*

As at 30 June 2017, other than the holdings disclosed above, none of the Directors or chief executives 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 30 June 2017, the persons (other than Directors or chief executives 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
CFS International Inc.[1]	Beneficial Owner	250,187,637(L)	45.12(L)
Ports International Enterprises Limited	Interest of Controlled Corporation	250,187,637(L)	45.12(L)
	Beneficial Owner	162,705,752(L)	29.35(L)
Mr. Edward Tan Han Kiat[2]	Beneficial Owner	250,000(L)	0.04(L)
	Interest of Controlled Corporation	412,893,389 (L)	74.47(L)
維格娜絲時裝股份有限公司	Beneficial Owner	40,000,000(L)	7.21(L)
Hwabao Trust Co. Ltd.	Trustee	40,000,000(L)	7.21(L)

(L)— Long Position

Notes:

1. *PIEL was deemed to be interested in the 250,187,637 Shares held by CFS by virtue of PIEL's interest in CFS. Please also see Note 1 under the paragraph headed "Directors and Chief Executives Interests" on page 13 of this report.*

2. *Mr. Edward Tan Han Kiat was deemed to be interested in the 412,893,389 Shares held by PIEL by virtue of his 50% shareholding 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 30 June 2017 as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 1H2017 (1H2016: nil).

Significant Events

There have been no significant events affecting the Group which have occurred since 30 June 2017.

PORTICO INTERNATIONAL HOLDINGS LIMITED

(Stock code: 0589)

Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2017

REVIEW REPORT TO THE BOARD OF DIRECTORS OF PORTICO INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 17 to 36 which comprises the consolidated statement of financial position of Portico International Holdings Limited ("the Company") as of 30 June 2017 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

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

25 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	3	**1,052,436**	892,696
Cost of sales		**(213,882)**	(188,500)
Gross profit		**838,554**	704,196
Other revenue	4(a)	**10,861**	4,859
Other net expense	4(b)	**(157)**	(351)
Selling and distribution expenses		**(567,095)**	(503,872)
Administrative expenses		**(56,116)**	(57,720)
Other operating expenses	4(c)	**(176,944)**	(115,902)
Profit from operations		**49,103**	31,210
Finance income		**5,235**	9,642
Finance costs		**(3,426)**	(3,960)
Net finance income	5(a)	**1,809**	5,682
Profit before taxation	5	**50,912**	36,892
Income tax	6	**(43,375)**	(30,932)
Profit for the period		**7,537**	5,960
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**5,608**	(3,350)
Total comprehensive income for the period		**13,145**	2,610
Profit attributable to:			
Equity shareholders of the Company		**5,456**	4,465
Non-controlling interests		**2,081**	1,495
Profit for the period		**7,537**	5,960
Total comprehensive income attributable to:			
Equity shareholders of the Company		**11,131**	723
Non-controlling interests		**2,014**	1,887
Total comprehensive income for the period		**13,145**	2,610
Earnings per share (RMB cents)			
Basic	7(a)	**1**	1
Diluted	7(b)	**1**	1

The notes on pages 21 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2017 — unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2017** ***RMB'000***	At 31 December 2016 *RMB'000*
Non-current assets			
Lease prepayments		**22,003**	22,251
Investment properties	*8*	**13,484**	—
Other property, plant and equipment	*8*	**373,494**	451,630
Intangible assets		**2,325**	2,447
Interest in an associate		**3,019**	3,121
Deferred tax assets		**211,258**	198,956
		625,583	678,405
Current assets			
Other financial assets	*9*	**59,799**	1,661
Inventories	*10*	**758,257**	800,282
Trade and other receivables	*11*	**455,176**	445,592
Pledged bank deposits	*13*	**78,830**	59,487
Fixed deposits with banks with original maturity over three months		**285,062**	275,461
Cash and cash equivalents	*14*	**351,331**	374,472
		1,988,455	1,956,955
Current liabilities			
Trade and other payables	*15*	**366,676**	404,377
Bank loans	*16*	**1,688**	1,688
Current taxation		**30,144**	41,210
		398,508	447,275
Net current assets		**1,589,947**	1,509,680
Total assets less current liabilities		**2,215,530**	2,188,085
Non-current liabilities			
Trade and other payables	*15*	**127,041**	115,330
Bank loans	*16*	**2,954**	3,798
Deferred tax liabilities		**9,072**	6,289
		139,067	125,417
Net assets		**2,076,463**	2,062,668
Capital and reserves			
Share capital		**1,474**	1,474
Reserves		**2,048,013**	2,036,882
Total equity attributable to equity shareholders of the Company		**2,049,487**	2,038,356
Non-controlling interests		**26,976**	24,312
Total equity		**2,076,463**	2,062,668

Approved and authorised for issue by the board of directors on 25 August 2017.

Alfred Chan Kai Tai
Chairman and Executive Director

Anthony P. Chan
Chief Executive Officer and Executive Director

The notes on pages 21 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	1,474	61,419	443,348	61,012	(1,033)	1,427,132	1,993,352	20,069	2,013,421
Changes in equity for the six months ended 30 June 2016									
Profit for the period	—	—	—	—	—	4,465	4,465	1,495	5,960
Other comprehensive income	—	—	—	—	(3,742)	—	(3,742)	392	(3,350)
Total comprehensive income	—	—	—	—	(3,742)	4,465	723	1,887	2,610
Appropriation to statutory reserve	—	—	—	504	—	(504)	—	—	—
Balance at 30 June 2016 and 1 July 2016	1,474	61,419	443,348	61,516	(4,775)	1,431,093	1,994,075	21,956	2,016,031
Changes in equity for the six months ended 31 December 2016									
Profit for the period	—	—	—	—	—	35,800	35,800	2,349	38,149
Other comprehensive income	—	—	—	—	8,481	—	8,481	7	8,488
Total comprehensive income	—	—	—	—	8,481	35,800	44,281	2,356	46,637
Liquidation of a subsidiary	—	—	—	(4,474)	—	4,474	—	—	—
Appropriation to statutory reserve	—	—	—	(6)	—	6	—	—	—
Balance at 31 December 2016	1,474	61,419	443,348	57,036	3,706	1,471,373	2,038,356	24,312	2,062,668
Balance at 1 January 2017	1,474	61,419	443,348	57,036	3,706	1,471,373	2,038,356	24,312	2,062,668
Changes in equity for the six months ended 30 June 2017									
Profit for the period	—	—	—	—	—	5,456	5,456	2,081	7,537
Other comprehensive income	—	—	—	—	5,675	—	5,675	(67)	5,608
Total comprehensive income	—	—	—	—	5,675	5,456	11,131	2,014	13,145
Capital injection from non-controlling interests	—	—	—	—	—	—	—	650	650
Appropriation to statutory reserve	—	—	—	1,393	—	(1,393)	—	—	—
Balance at 30 June 2017	1,474	61,419	443,348	58,429	9,381	1,475,436	2,049,487	26,976	2,076,463

The notes on pages 21 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**165,143**	106,767
Income tax paid		**(63,961)**	(40,558)
Net cash generated from operating activities		**101,182**	66,209
Investing activities			
Payment for the purchase of property, plant and equipment		**(44,373)**	(42,773)
Proceeds from disposal of property, plant and equipment		**3,642**	—
Payments for acquisition of financial assets at fair value through profit or loss		**(58,000)**	—
Placement of fixed deposits at banks with original maturity over three months		**(91,200)**	(467,792)
Withdrawn of fixed deposits at banks with original maturity over three months		**81,599**	494,886
Placement of pledged bank deposits		**(80,318)**	(12,633)
Withdrawn of pledged bank deposits		**60,975**	104,513
Interest received		**4,795**	7,568
Other cash flows arising from investing activities		**370**	31
Net cash (used in)/generated from investing activities		**(122,510)**	83,800
Financing activities			
Capital contribution by non-controlling interests of a subsidiary		**650**	—
Repayment of bank loans		**(844)**	(304,464)
Interest paid		**(147)**	(2,517)
Net cash used in financing activities		**(341)**	(306,981)
Net decrease in cash and cash equivalents		**(21,669)**	(156,972)
Cash and cash equivalents at 1 January	*14*	**374,472**	507,958
Effect of foreign exchange rate changes		**(1,472)**	3,138
Cash and cash equivalents at 30 June	*14*	**351,331**	354,124

The notes on pages 21 to 36 form part of this interim financial report.

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 25 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Portico International Holdings Limited (the "Company") and its subsidiaries (together the "Group") since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 16.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2017.

2. Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3. Revenue and segment reporting

(a) Revenue

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

(b) Segment reporting

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

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

(i) Segment results and assets

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

Segment assets represent inventories only.

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

The measure used for reporting segment profit is gross profit less selling and distribution expenses 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.

	Six months ended 30 June					
	Retail		**Others***		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**971,908**	813,012	**80,528**	79,684	**1,052,436**	892,696
Reportable segment revenue	**971,908**	813,012	**80,528**	79,684	**1,052,436**	892,696
Reportable segment profit	**309,992**	244,882	**14,283**	22,130	**324,275**	267,012
Selling and distribution expenses	**502,031**	437,184	**12,248**	—	**514,279**	437,184

	Retail		**Others***		**Total**	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016	**30 June 2017**	31 December 2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment assets	**706,303**	736,596	**51,954**	63,686	**758,257**	800,282

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

3. Revenue and segment reporting *(continued)*

(b) ***Segment reporting*** *(continued)*

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**971,908**	813,012
Other revenue	**80,528**	79,684
Consolidated revenue	**1,052,436**	892,696
Profit		
Reportable segment profit	**309,992**	244,882
Other profit	**14,283**	22,130
	324,275	267,012
Other revenue and other net expense	**10,704**	4,508
Selling and distribution expenses	**(52,816)**	(66,688)
Administrative expenses	**(56,116)**	(57,720)
Other operating expenses	**(176,944)**	(115,902)
Net finance income	**1,809**	5,682
Consolidated profit before taxation	**50,912**	36,892

	At 30 June	At 31 December
	2017	2016
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**706,303**	736,596
Other inventories	**51,954**	63,686
Consolidated inventories	**758,257**	800,282
Non-current assets	**625,583**	678,405
Trade and other receivables	**455,176**	445,592
Pledged bank deposits	**78,830**	59,487
Fixed deposits with banks with original maturity over three months	**285,062**	275,461
Other financial assets	**59,799**	1,661
Cash and cash equivalents	**351,331**	374,472
Consolidated total assets	**2,614,038**	2,635,360

4. Other revenue and other net expense

(a) Other revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Design and decoration income	**5,925**	2,747
Insurance compensation	**598**	1,082
Government subsidy*	**572**	—
Rental income	**2,304**	282
Others	**1,462**	748
	10,861	4,859

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

(b) Other net expense

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net unrealised gain on financial assets at fair value through profit or loss	**(94)**	—
Change in fair value of foreign exchange forward contracts	**(356)**	—
Net realised and unrealised (gain)/losses on trading securities	**(44)**	197
Net losses on sales of property, plant and equipment	**549**	41
Share of losses of an associate	**102**	113
	157	351

(c) Other operating expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Write-down of inventories (note 10(b))	**131,095**	115,360
Impairment loss of property, plant and equipment (note 8(c))	**45,849**	542
	176,944	115,902

5. Profit before taxation

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
(a) Net finance income		
Interest income	**(5,235)**	(4,678)
Net foreign exchange gain	**—**	(4,964)
Finance income	**(5,235)**	(9,642)
Interest expense on bank loans	**147**	2,367
Net foreign exchange loss	**2,538**	—
Others	**741**	1,593
Finance costs	**3,426**	3,960
Net finance income	**(1,809)**	(5,682)
(b) Staff costs		
Contributions to defined contribution retirement plans	**11,380**	10,635
Salaries, wages and other benefits	**215,786**	194,233
	227,166	204,868
(c) Other items		
Depreciation	**46,572**	46,099
Amortisation	**370**	253
Operating lease charges in respect of properties		
— minimum lease payments	**121,299**	113,131
— contingent rents	**143,676**	124,261
Cost of inventories# (note 10(b))	**344,977**	303,860

Cost of inventories for the six months ended 30 June 2017 includes RMB61,975,000 (six months ended 30 June 2016: RMB62,651,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each type of these expenses.

6. Income tax

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax — PRC income tax	**51,394**	41,028
Deferred taxation	**(8,019)**	(10,096)
	43,375	30,932

(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, Macau Complementary (Profits) Tax, USA Income Tax, Italy Income Tax and Canada Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax, Macau Complementary (Profits) Tax, USA Income Tax, Italy Income Tax and Canada Income Tax during the six months ended 30 June 2017 and 2016.

(iii) All PRC subsidiaries are subject to income tax at 25% for the six months ended 30 June 2017 and 2016 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

(iv) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

As at 30 June 2017, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB1,899,983,000 (31 December 2016: RMB1,851,604,000). Deferred tax liabilities of RMB94,999,000 (31 December 2016: RMB92,580,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB5,456,000 (six months ended 30 June 2016: RMB4,465,000) and the weighted average number of 554,453,000 ordinary shares (six months ended 30 June 2016: 554,453,000 shares) in issue during the interim period.

(b) Diluted earnings per share

There were no diluted potential ordinary shares during each of the six months ended 30 June 2017 and 2016, and therefore, diluted earnings per share are the same as the basic earnings per share.

8. Investment properties, other property, plant and equipment

(a) During the six months ended 30 June 2017, the Group acquired items of fixtures, fittings and other fixed assets with a cost of RMB31,962,000 (six months ended 30 June 2016: RMB32,786,000). Items of buildings with a net book value of RMB14,008,000 were transferred from buildings held for own use to investment properties during the six months ended 30 June 2017 (six months ended 30 June 2016: nil). Items of machinery, fixtures, fittings and other fixed assets with a net book value of RMB4,191,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB1,049,000).

(b) Buildings with net book value of RMB16,123,000 as at 30 June 2017 (31 December 2016: RMB16,610,000) were pledged as collateral of the Group's bank loans (note 16).

(c) As at 30 June 2017, the Group reviewed the performance on its retail stores and identified that some retail stores are under-performing.

The Group has determined that for the purposes of impairment testing, each store and outlet is a cash-generating unit. Cash-generating units are tested for impairment if there are indications of impairment at the end of reporting period.

Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections using data from the Group's latest internal forecasts, the results of which are reviewed by the Board. The key assumptions for the value in use calculations are those regarding discount rates, sales growth rate and cost inflation rates. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Sales growth rate and cost inflation rates are based on past experience and expectations of future changes in the market. The pre-tax discount rate used to calculate value in use is derived from the Group's weighted average cost of capital.

The impairment losses relate to stores whose recoverable amounts (value in use) did not exceed the asset carrying values. In all cases, impairment losses arose due to stores performing below projected trading levels.

Based on the assessment results, the carrying amount of leasehold improvement of certain stores was written down to their recoverable amount (value in use) with an impairment loss of RMB45,849,000 recognised for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB542,000), which was included in "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

9. Other financial assets

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trading securities	**1,705**	1,661
Financial assets at fair value through profit or loss*	**58,094**	—
	59,799	1,661

* *As at 30 June 2017, financial assets at fair value through profit or loss represented investments in wealth management products and trust products issued by reputable financial institutions in the PRC with the aggregate principals amount of RMB58,000,000 (31 December 2016: nil). There are no fixed or determinable returns of these wealth management products and trust products, and the returns of the principals are not guaranteed.*

10. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	**71,036**	72,157
Work in progress	**36,401**	37,324
Finished goods	**650,732**	690,452
Goods in transit	**88**	349
	758,257	800,282

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

	Six months ended 30 June	
	2017 *RMB'000*	2016 *RMB'000*
Cost of sales	**213,882**	188,500
Write-down of inventories (note 4(c))	**131,095**	115,360
	344,977	303,860

11. Trade and other receivables

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

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within 1 month	**159,346**	199,010
Over 1 month but within 3 months	**52,223**	27,316
Over 3 months but within 6 months	**8,966**	6,169
Over 6 months	**7,235**	8,055
Trade receivables net of allowance for doubtful debts	**227,770**	240,550
Amounts due from related parties (note 12)	**8,827**	7,635
Advances to suppliers	**45,690**	36,055
Other receivables, deposits and prepayments	**172,889**	161,352
	455,176	445,592

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

12. Amounts due from/to related parties

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Amounts due from related parties		
Ports International Retail Corporation	**8,767**	7,550
Beijing Scitech Holdings Limited and its subsidiaries	**60**	85
	8,827	7,635

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

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Amounts due to related parties		
Ports International Retail Corporation	**7,765**	6,337
Beijing Scitech Holdings Limited and its subsidiaries	**1,439**	162
	9,204	6,499

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

13. Pledged bank deposits

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Security for letter of credit and letter of guarantee issued by banks	**58,507**	59,487
Security for foreign currency swap contracts	**20,323**	—
	78,830	59,487

14. Cash and cash equivalents

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash at bank and on hand	**203,364**	174,889
Fixed deposits with banks with original maturity within three months	**147,967**	199,583
	351,331	374,472

15. Trade and other payables

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current		
Accounts payable	**76,201**	92,729
Amounts due to related parties (note 12)	**9,204**	6,499
Derivative financial liabilities — foreign exchange forward contracts	**—**	356
Other creditors and accruals	**281,268**	304,790
Dividends payable to the equity shareholders of the Company	**3**	3
	366,676	404,377
Non-current		
Other creditors and accruals	**127,041**	115,330
Total	**493,717**	519,707

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 month	**56,552**	71,005
Over 1 month but within 3 months	**5,806**	10,415
Over 3 months but within 6 months	**5,510**	5,633
Over 6 months	**8,333**	5,676
	76,201	92,729

16. Bank loans

As at 30 June 2017, the bank loans were repayable as follow:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Bank loans repayable within one year or on demand	**1,688**	1,688
Non-current bank loans	**4,642**	5,486
Less: Repayable within one year	**(1,688)**	(1,688)
Bank loans repayable more than one year	**2,954**	3,798

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

As at 30 June 2017, the bank loans of the Group were secured by mortgages over buildings with aggregate carrying amount of RMB16,123,000 (31 December 2016: RMB16,610,000 (note 8(b)).

17. Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2017 and 2016.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year

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

18. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation 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.

18. Fair value measurement of financial instruments *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) Fair value hierarchy (continued)

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

	Fair value at 30 June 2017 *RMB'000*	Fair value measurement as at 30 June 2017 categorised into		
		Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*
Recurring fair value measurement				
Financial assets:				
Trading securities (note 9)	**1,705**	**1,705**	**—**	**—**
Financial assets at fair value through profit or loss (note 9)	**58,094**	**—**	**58,094**	**—**

	Fair value at 31 December 2016 *RMB'000*	Fair value measurement as at 31 December 2016 categorised into		
		Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Recurring fair value measurement				
Financial assets:				
Trading securities (note 9)	1,661	1,661	—	—
Financial liabilities:				
Derivative financial liabilities — foreign exchange forward contracts (note 15)	(356)	—	(356)	—

During the six months ended 30 June 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial assets at fair value through profit or loss in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rates as at the end of the reporting period. The discounting rate used is derived from the relevant onshore Renminbi Swap curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of foreign exchange forward contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2017 and 31 December 2016.

19. Commitments

(a) Operating lease commitments

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Less than one year	**221,386**	232,717
Between one and five years	**683,554**	689,199
More than five years	**202,434**	283,285
	1,107,374	1,205,201

The leases normally run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent with reference to revenue for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 30 June 2017 and 31 December 2016 but not provided for in the consolidated financial statements were as follows:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Authorised but not contracted for	**57,000**	88,500

20. Material related party transactions

Transactions with the following entities are considered as significant related party transactions for the six months ended 30 June 2017 and 2016.

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

20. Material related party transactions *(continued)*

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

Particulars of significant transactions between the Group and the above related parties for the six months ended 30 June 2017 and 2016 are as follows:

(a) Transactions with key management personnel

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Short-term employee benefits	**2,822**	1,160
Contributions to defined contribution retirement plans	**18**	10

Total remuneration is included in "staff costs" (note 5(b)).

(b) Sales, purchases and rental charges

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	**3,299**	3,430
Purchases of goods from:		
Ports International Retail Corporation	**862**	46
Rental fee charged to:		
Beijing Scitech Holdings Limited and its subsidiaries	**2,304**	282

(c) Other transactions

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Rental fee reimbursed to:		
PKL*	**6,327**	4,953

* *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.*

21. Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,107,374,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.