PORTICO INTERNATIONAL HOLDINGS LTD

Portico International Holdings Limited
寶國國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 589)

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

HIGHLIGHTS OF INTERIM RESULTS

- Total revenue was RMB 847.8 million, decreased by 12.1% as compared with the corresponding period in 2014
- Gross profit margin stood at 81.5% (1H2014: 81.5%)
- Profit attributable to shareholders was RMB 16.3 million, declined by 70.4%
- Earnings per share was RMB 0.03
- No interim dividend was declared

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 ("1H2015")

The board of directors (the "Board") of Portico International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the period ended 30 June 2015 with comparative figures for the same period ended 2014 ("1H2014") as follows:

**for identification purpose only*

Consolidated statement of comprehensive income
for the six months ended 30 June 2015 (unaudited)

	Note	*Six months ended 30 June* 2015 *RMB'000*	2014 *RMB'000*
Revenue	3	847,786	964,960
Cost of sales		(156,567)	(178,619)
Gross profit		691,219	786,341
Other revenue	4(a)	5,450	2,871
Other net expense	4(b)	(111)	(34)
Distribution costs		(497,383)	(533,968)
Administrative expenses		(55,149)	(55,490)
Other operating expenses		(87,699)	(91,854)
Profit from operations		56,327	107,866
Finance income		14,710	16,804
Finance costs		(13,366)	(15,337)
Net finance income	5(a)	1,344	1,467
Profit before taxation	5	57,671	109,333
Income tax	6	(40,014)	(52,183)
Profit for the period		17,657	57,150
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
-financial statements of overseas subsidiaries		(1,027)	(795)
Total comprehensive income for the period		16,630	56,355
Profit attributable to:			
Equity shareholders of the Company		16,280	54,965
Non-controlling interests		1,377	2,185
Profit for the period		17,657	57,150
Total comprehensive income attributable to:			
Equity shareholders of the Company		14,836	54,152
Non-controlling interests		1,794	2,203
Total comprehensive income for the period		16,630	56,355
Earnings per share (RMB)			
-Basic	7	0.03	0.10
-Diluted	7	0.03	0.10

Consolidated balance sheet
at 30 June 2015 (unaudited)

	Note	*At 30 June 2015 RMB'000*	*At 31 December 2014 RMB'000*
Non-current assets			
Lease prepayments		23,310	23,563
Property, plant and equipment		479,316	456,270
Intangible assets		-	8,422
Deferred tax assets		167,123	159,280
		669,749	647,535
Current assets			
Inventories		727,224	721,551
Trade and other receivables, deposits and prepayments	9	316,566	364,283
Pledged bank deposits		210,628	284,945
Fixed deposits with banks		546,306	511,115
Trading securities		2,023	-
Cash and cash equivalents		607,854	519,176
		2,410,601	2,401,070
Current liabilities			
Trade payables, other payables and accruals	11	381,648	219,126
Interest-bearing borrowings	12	475,332	602,106
Current taxation		22,905	50,195
		879,885	871,427
Net current assets		1,530,716	1,529,643
Total assets less current liabilities		2,200,465	2,177,178
Non-current liabilities			
Interest-bearing borrowings	12	8,019	-
Trade payables, other payables and accruals	11	67,285	62,887
Deferred tax liabilities		12,993	17,443
		88,297	80,330
Net assets		2,112,168	2,096,848
Capital and reserves			
Share capital		1,474	1,474
Reserves		2,088,846	2,074,010
Total equity attributable to equity shareholders of the Company		2,090,320	2,075,484
Non-controlling interests		21,848	21,364
Total equity		2,112,168	2,096,848

NOTES

1. Basis of preparation

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 interim financial report of the Company for the six months ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the "Group").

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 28 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these 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.

The 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 the Group since the 2014 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 ("IFRS").

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").

The financial information relating to the financial year ended 31 December 2014 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 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

2. Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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 the following one reportable segment.

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

(a) Segment result 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 distribution costs directly attributable to the segment.

3. Segment reporting (continued)

(a) Segment result 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*	
	2015 RMB'000	*2014 RMB'000*	*2015 RMB'000*	*2014 RMB'000*	*2015 RMB'000*	*2014 RMB'000*
Revenue from external customers	778,497	877,200	69,289	87,760	847,786	964,960
Reportable segment revenue	**778,497**	**877,200**	**69,289**	**87,760**	**847,786**	**964,960**
Reportable segment profit	**260,594**	**413,004**	**23,553**	**30,703**	**284,147**	**443,707**

	Retail		*Others(*)*		*Total*	
	30 June 2015 RMB'000	*31 December 2014 RMB'000*	*30 June 2015 RMB'000*	*31 December 2014 RMB'000*	*30 June 2015 RMB'000*	*31 December 2014 RMB'000*
Reportable segment assets	**663,725**	**668,127**	**63,499**	**53,424**	**727,224**	**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.

3. **Segment reporting (continued)**

(b) **Reconciliations of reportable segment revenue, profit and assets**

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	778,497	877,200
Other revenue	69,289	87,760
Consolidated turnover	847,786	964,960
Profit		
Reportable segment profit	260,594	413,004
Other profit	23,553	30,703
	284,147	443,707
Other revenue and other net expense	5,339	2,837
Distribution costs	(90,311)	(191,334)
Administrative expenses	(55,149)	(55,490)
Other operating expenses	(87,699)	(91,854)
Net finance income	1,344	1,467
Consolidated profit before taxation	57,671	109,333

	At 30 June	*At 31 December*
	2015	*2014*
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	663,725	668,127
Other inventories	63,499	53,424
Consolidated inventories	727,224	721,551
Non-current assets	669,749	647,535
Trade and other receivables, deposits and prepayments	316,566	364,283
Pledged bank deposits	210,628	284,945
Fixed deposits with banks	546,306	511,115
Cash and cash equivalents	607,854	519,176
Trading securities	2,023	-
Consolidated total assets	3,080,350	3,048,605

4. Other revenue and other net expense

(a) Other revenue

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Liaison service income	2,273	567
Royalty income	-	47
Design and decoration income	1,464	1,129
Insurance compensation	462	469
Government subsidy (see note (i) below)	950	-
Others	301	659
	5,450	2,871

(i) The subsidy received from local government authorities is unconditional. The Group may note received government subsidy in the future.

(b) Other net expense

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Net realised and unrealised loss on trading securities	(132)	-
Net gain/ (loss) on sales of property, plant and equipment	21	(34)
	(111)	(34)

5. Profit before taxation

Profit before taxation is arrived at after crediting:

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
(a) Net finance income		
Interest income	(14,710)	(16,804)
Finance income	(14,710)	(16,804)
Interest expense on bank loans repayable within five years	4,930	6,503
Interest expense, net	4,930	6,503
Net foreign exchange loss	6,786	6,112
Others	1,650	2,722
Finance costs	13,366	15,337
Net finance income	(1,344)	(1,467)
(b) Other items		
Operating leases charges in respect of properties		
- minimum lease payments	111,487	122,248
- contingent rents	122,764	136,082
	234,251	258,330
Depreciation	54,687	60,100
Amortisation - lease prepayments	253	464
Cost of inventories	244,266	270,473

6. Income tax

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Current tax - PRC income tax	44,307	57,505
Deferred taxation	(4,293)	(5,322)
	40,014	52,183

(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 six months ended 30 June 2015 and 2014 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong Profits tax purpose.

(iii) All PRC subsidiaries are subject to income tax rate at 25% for the six months ended 30 June 2015 and 2014 under the Enterprise Income Tax law ("EIT law") which was enacted on 16 March 2007.

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 30 June 2015, deferred tax liabilities of RMB 98,342 thousand (31 December 2014: 96,430 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.

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB 16,280 thousand (2014: RMB 54,965 thousand) and the weighted average number of 554,453,492 (2014: 554,453,492) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB 16,280 thousand (2014: RMB 54,965 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 six months period ended 30 June 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 period.

As disclosed in note 14, no share option was outstanding and exercisable as at 30 June 2015. No dilutive effect on the basic earnings per share amount during the six months period ended 30 June 2015.

8. Related party transactions

Transactions with the following entities are considered as related party transactions for the six months ended 30 June 2015 and 30 June 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
PCD Stores (Group) Limited and its subsidiaries (referred as "PCD Group")	Company of which Alfred Chan is a director
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
北京愛尚春天電子商務有限公司 (referred 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

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 2015 and 30 June 2014 are as follows:

(a) Transactions with key management personnel

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Short-term employee benefits	1,049	1,259

8. Related party transactions (continued)

(b) Contribution to defined contribution retirement plans

The Group participates in a defined contribution plan managed by the local government authorities for its employees employed in the PRC and 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.

The Group's contributions to these post-employment benefit plans amounted to RMB 9,129 thousand for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB 8,975 thousand).

As at 30 June 2015 and 31 December 2014, there was no material outstanding contribution to post-employment benefit plans.

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

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	1,940	2,052
Purchase of goods from:		
Ports International Retail Corporation	2,983	4,657
Rental fee charged by:		
PCD Group (i)	12,322	13,601
Commission fee charged by:		
Beijing Aishang	24	243

(i) The Group leased a number of concession counters located within shopping arcades in the PRC owned by certain subsidiaries of PCD Group. Proceeds from the Group's sales made in these concession counters totaling RMB 56,434 thousand for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB 61,851 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.

8. Related party transactions (continued)

(d) Subscription of convertible bonds

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

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

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

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

(i) one third to be subscribed upon the First Closing Date (date on which the first completion under the Agreements in respect of the Subscription occurs, which meant 4 November 2013);

(ii) one third to be subscribed within 6 months after the First Closing Date, provided that the Issuers have achieved the First Sales Target (the sales amount in the sum of USD 160,000 for E-store fall winter 2013 and wholesale spring summer 2014 collections);

(iii) one third to be subscribed within 12 months after the First Closing Date, provided that the Issuers have achieved the Second Sales Target (the sales amount in the sum of USD192,000 for E-store spring summer 2014 and wholesale fall winter 2014 collections).

The conversion period is 5 years commencing from the issuance of the convertible bonds. Cpax shall have the right to convert all the principle amounts of its holding of the convertible bonds at any time during the conversion period. When fully converted, Cpax would hold 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.

On 25 June 2015, Cpax Ltd. early redeemed the convertible bonds in full and received the principal of USD 500,000 from each of the Issuers.

8. Related party transactions (continued)

(e) Other transactions

	Six months ended 30 June	
	2015	*2014*
	RMB'000	*RMB'000*
Expenditure paid by the Group on behalf of:		
Ports International Retail Corporation	57	108
Expenditure paid on behalf of the Group by:		
Ports International Retail Corporation	-	585
Fiona Cibani	-	615
Rental fee reimbursed to:		
PKL (i)	4,752	6,925

(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.

9. Trade and other receivables, deposits and prepayments

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

	At 30 June 2015 RMB'000	*At 31 December 2014 RMB'000*
Within 1 month	110,583	163,950
Over1 but within 3 months	23,828	24,043
Over 3 months but within 6 months	3,954	8,952
Over 6 months	8,010	3,167
Accounts receivables	146,375	200,112
Amounts due from related companies (note 10)	18,314	21,036
Advances to suppliers	20,465	17,794
Other receivables, deposits and prepayments	131,412	125,341
	316,566	364,283

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

10. Amounts due from / (to) related companies

Amounts due from related companies	*At 30 June 2015 RMB'000*	*At 31 December 2014 RMB'000*
Ports International Retail Corporation	7,101	6,602
Beijing Aishang	10	57
PCD Stores (Group) Limited and its subsidiaries	11,203	14,377
	18,314	21,036

Amounts due to related companies	*At 30 June 2015 RMB'000*	*At 31 December 2014 RMB'000*
Ports International Retail Corporation	3,879	1,528
Fiona Cibani	-	612
PCD Stores (Group) Limited and its subsidiaries	300	300
	4,179	2,440

The amounts due from/ (to) related companies are unsecured, interest-free and repayable on demand.

11. Trade payables, other payables and accruals

	At 30 June 2015 RMB'000	*At 31 December 2014 RMB'000*
Current		
Accounts payable	74,479	85,240
Amounts due to related companies (note 10)	4,179	2,440
Other creditors and accruals	122,987	131,443
Consideration received for the partial disposal of equity interests in a subsidiary (note 15(a))	180,000	-
Dividends payable to the equity shareholders of the Company	3	3
	381,648	219,126
Non-current		
Other creditors and accruals	67,285	62,887
Total	448,933	282,013

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

	At 30 June 2015 RMB'000	*At 31 December 2014 RMB'000*
Due within 1 month or on demand	49,634	51,436
Due after 1 month but within 3 months	13,617	13,557
Due after 3 months but within 6 months	4,415	10,834
Due after 6 months but within 12 months	2,676	5,921
Due after 1 year but within 2 years	4,137	3,492
	74,479	85,240

12. Interest-bearing borrowings

	At 30 June 2015 RMB'000	*At 31 December 2014 RMB'000*
Bank loans repayable within one year or on demand		
- Secured	356,728	484,166
- Unsecured	118,604	117,940
	475,332	602,106
Bank loans repayable after one year but within five years		
- Secured	8,019	-

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

As at 30 June 2015, certain overseas banking facilities of the Group were guaranteed by letter of credits issued by certain banks located in the PRC. In respect of the guarantee provided by these PRC banks, certain subsidiaries' fixed deposits of RMB 203,975 thousand (31 December 2014: RMB 283,248 thousand) were pledged to those PRC banks as security.

As at 30 June 2015, certain bank loans of the Group were secured by mortgages over buildings with an aggregate carrying amount of RMB 14,295 thousand (31 December 2014: nil).

The Renminbi equivalent of banking facilities of the Group amounted to RMB 615,867 thousand (31 December 2014: RMB 1,069,271 thousand) of which RMB 605,623 thousand (31 December 2014: RMB 724,486 thousand) were utilised as at 30 June 2015.

13. Dividends

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

The directors of the Company did not propose the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

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

The directors of the Company did not propose the payment of final dividend for the financial year ended 31 December 2014 and 2013.

14. Equity settled share-based transactions

In 2003, the Company adopted a share option scheme ("Share Option Scheme") of which key management personnel and employees would be entitled to subscribe for shares in the Company. The terms and conditions of the share option scheme are disclosed in the consolidated financial statements for the year ended 31 December 2014.

A summary of option movements for the six months ended 30 June 2015 is presented below:

	Six months ended 30 June 2015		*Year ended 31 December 2014*	
	Weighted average exercise price	*Number of shares involved in the options*	*Weighted average exercise price*	*Number of shares involved in the options*
At beginning of period/year	HK$16.356	25,249,592	HK$16.381	25,925,602
Exercised	Nil	-	Nil	-
Lapsed	HK$16.356	(25,249,592)	Nil	-
Forfeited	Nil	-	HK$17.320	(676,010)
Outstanding at end of period/year	Nil	-	HK$16.356	25,249,592
Exercisable at the end of period/year	Nil	-	HK$16.356	25,249,592

During the six months ended 30 June 2015, none of the Company's directors exercised options to subscribe for shares in the Company (2014: nil).

On 7 January 2015, on behalf of Bluestone, Somerley Capital Limited made mandatory general cash offers to acquire all the issued shares of the Company (the "Share Offer") and to cancel all the outstanding options of the Company (the "Option Offer"). On 25 February 2015, as the Share Offer had become unconditional in all respects, the Option Offer became unconditional in all respects as well. When the Share Offer and Option Offer were closed on 11 March 2015, all outstanding share options were lapsed in accordance with the terms of the Share Option Scheme. Accordingly, the amounts previously recognised in the capital reserve of RMB 126,537 thousands in respect of these lapsed share options were released to retained profit in accordance with accounting policy set out in note 1(p)(ii) in the Group's 2014 annual financial statements.

No share option was outstanding and exercisable as at 30 June 2015.

15. Disposal of interests in subsidiaries

(a) Partial disposal of interests in Ports Asia Holdings (Hong Kong) Limited ("Ports HK")

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

(i) Ports BVI has agreed to sell and Oriental Fortune agreed to purchase 6% shareholding in Ports HK for a cash consideration of RMB 180,000 thousands (the "6% Disposal"). The consideration of RMB 180,000 thousand was received by Ports BVI on 5 June 2015;

(ii) Oriental Fortune would be permitted to conduct due diligence in respect of Ports HK and its PRC subsidiaries for a period of 30 days after Ports BVI has received the cash consideration of RMB 180,000 thousands; and

(iii) Within 5 business days after the completion of the due diligence, Ports BVI should enter into a sale and purchase agreement with Oriental Fortune for completing the transfer of the additional 14% equity interests in Ports HK for a cash consideration of RMB 420,000 thousands (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 thousands 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.

Up to the date of the interim report, no sales and purchase agreement has been entered in respect of the 14% Disposal.

As the 6% Disposal was still subject to the abovementioned condition which had not been met as at 30 June 2015, the 6% Disposal had not been consummated as at 30 June 2015. 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 and 30 June 2015. The cash consideration of RMB180,000 thousands that had been received by the Group was recognized as a financial liability under other payable on the consolidated balance sheet as at 30 June 2015.

(b) As disclosed in note 8 (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's no gain or loss arising from the disposal.

16. Non-adjusting events after the reporting period

After the balance sheet date, the 6% Disposal as mentioned in note 15 (a) has been completed.

BUSINESS REVIEW AND OUTLOOK

On 4 June 2015, the Company officially changed its name to "Portico International Holdings Limited", which marked a new era of strategic diversification of the Group from a fashion retail company into a conglomerate involving in multiple areas of businesses, with the aim of maximizing our shareholders' return in the ever-changing business environment. Given the relatively pessimistic market environment and weak currencies in many countries, the management has considered it an appropriate timing to explore investment opportunities which may bring satisfactory return to the Group.

Insofar as our fashion retail business is concerned, the first half of 2015 was an extension of the tough period which started from early 2014 for most, if not all, retailers engaging in the luxury goods sector. Nonetheless, the Company had not slowed down its momentum in the development of its business. The grand opening of our upscale retail store on Canton Road, Hong Kong and the trial opening of our equally lavishly decorated store on Nanjing Xi Lu, Shanghai were ample evidence of our commitment to the brand amid the challenging environment for luxury retailers. The Company remains cautiously optimistic in respect of the long term prospect of the luxury retail industry in the PRC and as such, we consider it essential for us to have the perfect venues to showcase a complete merchandize portfolio and fashion concept of the brand to our customers and potential customers. Since the respective commencement of operations of the Company's retail stores on Canton Road and Nanjing Xi Lu, the Company has received encouraging feedback and support from our fans, fashion lovers, industry peers and celebrities, which serve as very significant endorsement to the approach of the Company in the course of the development of our brand.

Separately, our licensed brand division has continued to work hard to strengthen the business relationship with our partners to ensure that we can enjoy a mutually beneficial partnership through the distribution of their merchandize in China. With our vast experience and expertise in the distribution business, the Company may look to collaborate with additional brands with potential in order to develop and expand this area of business, we believe that this may bring economies of scale and provide synergy to the existing operations of the Group as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

Revenue of the Group decreased from RMB 965.0 million in 1H2014 to RMB 847.8 million in 1H2015, representing a decrease of 12.1%. Revenue comprises two different segments: Retail and Others.

Retail Revenue

Retail revenue decreased from RMB 877.2 million in 1H2014 to RMB 778.5 million in 1H2015, representing a decrease of 11.3%. The anti-extravagance campaign of the PRC government has continually impacted on the consumption appetite for luxury goods in the PRC, which has attributed to such reduction in sales. As at 30 June 2015, the Group operated 311 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 cautiously maintained and managed our retail network, including the optimization of our stores distribution across the country to enable our brand concept to be displayed in the best possible platform and at the same time, to maintain an overall economically efficient network. The contribution from Retail segment to total revenue slightly increased from 90.9% in 1H2014 to 91.8% in 1H2015.

Others Revenue

Others revenue decreased by 21.0%, from RMB 87.8 million in 1H2014 to RMB 69.3 million in 1H2015. Such decrease was resulted from the decrease in income from wholesale business. The contribution from Others segment to total revenue decreased from 9.1% in 1H2014 to 8.2% in 1H2015.

Gross Profit

Gross profit decreased from RMB 786.3 million in 1H2014 to RMB 691.2 million in 1H2015, representing a decrease of 12.1%. Gross profit margin stood at 81.5% in 1H2015 (1H2014: 81.5%).

Retail Gross Profit

Retail gross profit decreased by 11.7% from RMB 755.6 million in 1H2014 to RMB 667.5 million in 1H2015. Retail gross profit margin slightly decreased to 85.7% in 1H2015 (1H2014: 86.1%).

Others Gross Profit

Others gross profit decreased from RMB 30.7 million in 1H2014 to RMB 23.7 million in 1H2015, representing a decrease of 22.8%. Weak luxury consumption environment has had a significant impact on our high-end eyeglass business, which resulted in a lower demand in our wholesale business. Others gross profit margin slightly decreased from 35.0% in 1H2014 to 34.2% in 1H2015.

Other Revenue

Other revenue consisted of government subsidy, insurance compensation, design and decoration income, commission on liaison services as well as other receipts which may be recurrent or one-off in nature. Other revenue increased by 89.8%, from RMB 2.9 million in 1H2014 to RMB 5.5 million in 1H2015, mainly due to the increase in government subsidy and liaison service income.

Operating Expenses

Operating expenses decreased from RMB 681.3 million in 1H2014 to RMB 640.2 million in 1H2015, representing a decrease of 6.0%. Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. A more detailed breakdown is set out as follows:

Distribution costs

Distribution costs mainly comprised of rental charges, salaries and benefits, stores and mall expenses, depreciation charges and advertising costs. Distribution costs decreased from RMB 534.0 million in 1H2014 to RMB 497.4 million in 1H2015, representing a decrease of 6.9% (1H2014 versus 1H2013: an increase of 1.8%). The decrease was mainly due to the decrease in rental charges and marketing expenses. Distribution costs as a percentage of Retail revenue increased to 63.9% in 1H2015 (1H2014: 60.9%).

Rental charges decreased by 9.6% (1H2014 versus 1H2013: an increase of 12.9%) from RMB 258.9 million in 1H2014 to RMB 234.2 million in 1H2015. This decrease was due to the reduction of rental charges in certain locations when the rent was determined under a turnover rent arrangement. Rental charges as a percentage of Retail revenue has risen to 30.1% in 1H2015 (1H2014: 29.5%).

Marketing expenses, including the advertising costs and promotion fee in relation to our brand development, decreased by 9.4% from RMB 41.1 million in 1H2014 to RMB 37.2 million in 1H2015. Social media and online platform, which have been well established and developed in the market, have offered an excellent marketing and promotional platform for the brand at a much lower cost. Marketing expenses as a percentage of Retail revenue has risen to 4.8% in 1H2015 (1H2014: 4.7%).

Administrative expenses

Administrative expenses decreased from RMB 55.5 million in 1H2014 to RMB 55.1 million in 1H2015, representing a decrease of 0.6%. The Company has adopted a prudent spending and cost control policy across its operations. Administrative expenses as a percentage of total revenue increased to 6.5% in 1H2015 (1H2014: 5.8%).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, decreased from RMB 32.6 million in 1H2014 to RMB 30.7 million in 1H2015, representing a decrease of 5.6%. Salaries and benefits for administrative staff as a percentage of total revenue increased slightly to 3.6% in 1H2015 (1H2014: 3.4%).

Other operating expenses

Other operating expenses decreased from RMB 91.9 million in 1H2014 to RMB 87.7 million in 1H2015, representing a decrease of 4.5% or RMB 4.2 million due to decrease in the stock provision during 1H2015. The Group closely monitored the inventory level and assessed the amount of stock provision from time to time based on historical experience, current market condition and the Group's business plan in future. In 1H2015, the stock provision made as a percentage of Retail revenue increased to 11.3% (1H2014: 10.5%).

Profit from Operations

The Group's profit from operations decreased from RMB 107.9 million in 1H2014 to RMB 56.3 million in 1H2015, representing a decrease of 47.8% or RMB 51.5 million. The Group's operating margin (i.e. profit from operations expressed as a percentage of total revenue) declined from 11.2% in 1H2014 to 6.6% in 1H2015.

Net Finance Income

Net finance income decreased from RMB 1.5 million in 1H2014 to RMB 1.3 million in 1H2015, representing a decrease of 8.4%. In 1H2015, the Group reported an interest income of RMB 14.7 million, representing a decrease of RMB 2.1 million, from RMB 16.8 million in 1H2014. On the other hand, interest expense for the Group decreased by RMB 1.6 million, from RMB 6.5 million in 1H2014 to RMB 4.9 million in 1H2015, due to the reduction of interest-bearing borrowings. The Group recorded an exchange loss of RMB 6.8 million in 1H2015, as compared to a loss of RMB 6.1 million in 1H2014, as Euros denominated net assets depreciated against RMB during 1H2015.

Income Tax

The Group's income tax expense decreased by 23.3% from RMB 52.2 million in 1H2014 to RMB 40.0 million in 1H2015. The effective income tax rate increased from 47.7% in 1H2014 to 69.4% in 1H2015 due to certain current period losses for which no deferred tax assets was recognized.

Profit attributable to shareholders

As a result of the factors discussed above, profit attributable to shareholders of the Company decreased from RMB 55.0 million in 1H2014 to RMB 16.3 million in 1H2015, representing a decrease of 70.4%.

Financial Position, Liquidity and Gearing Ratio

As at 30 June 2015, the Group had RMB 1,364.8 million (as at 31 December 2014: RMB 1,315.2 million) in cash and cash equivalents, fixed deposits with banks and pledged bank deposits. As at 30 June 2015, the Group had interest-bearing borrowings of RMB 483.4 million, representing a decrease of 19.7% from RMB 602.1 million as at 31 December 2014. As such, interest expenses decreased by 24.2% to 4.9 million in 1H2015 (1H2014: RMB 6.5 million).

Net cash generated from operations activities was RMB 49.7 million in 1H2015 as compared with RMB 145.8 million in 1H2014, representing a decrease of 65.9% primarily due to the decrease in sales during 1H2015.

As at 30 June 2015, the Group's gearing ratio was 22.9% based on outstanding borrowings and total equity of RMB 2,112.2 million (as at 31 December 2014: 28.7%). As at 30 June 2015, the current ratio was 2.74 based on current assets of RMB 2,410.6 million and current liabilities of RMB879.9 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, HK$ and US$, with major banks in Hong Kong and the PRC and hence, the Group is exposed to foreign exchange risk arising from the fluctuation of exchange rate among those currencies. In particular, fluctuations in the RMB exchange rate against the US$ may have a negative impact due to the borrowings in US$. 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 2015, the Group had capital commitments of RMB 40.5 million, as compared with RMB 43.5 million as at 31 December 2014, which was authorized but not contracted for. The Group has no material contingent liabilities as at 30 June 2015.

Capital Structure of the Group

The Group required working capital to support its manufacturing, retail and other operations. As at 30 June 2015, the Group had cash, cash equivalents, fixed deposits with banks and pledged bank deposits of RMB 1,364.8 million, denominated principally in RMB and HK$. 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 30 June 2015, the Group's bank deposits in the amount of RMB 210.6 million were pledged to secure banking facilities and bank borrowings granted to the Group.

Human Resources

As at 30 June 2015, the Group had approximately 4,600 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB 194.4 million in 1H2015, compared with RMB 193.3 million in 1H2014, representing an increase of 0.5%. In 1H2015, total personnel expenses as a percentage of the Group's revenue was at 22.9 % (1H2014: 20.0%).

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 1H2015.

Review of Accounts

The unaudited interim financial report of the Company and its subsidiaries for 1H2015 has been reviewed by the Company's auditor, 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 and they have issued an unmodified review report. The auditor's independent review report will be included in the Interim Report to our shareholders. The unaudited interim financial report of the Company and its subsidiaries for 1H2015 has also been reviewed by the audit committee of the Company.

The audit committee consists of three independent non-executive Directors, namely, Mr. Lin Tao, Mr. Zheng Wanhe and Mr. Antonio Gregorio with terms of reference in compliance with the rules governing the listing of securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "HKEx").

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 1H2015.

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

The Company will continue to look for an appropriate candidate to take up the position as the Chairman and will notify our shareholders and the public as appropriate.

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

Publication of Interim Report

This announcement is available for viewing on the websites of HKEx and the Company. The interim report for 1H2015 containing all the information as required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the HKEx and the Company on or before 30 September 2015. The website of the Company may be accessed at http://www.portico-intl.com.

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

Hong Kong, 28 August 2015

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

Executive Directors:
Mr. Alfred Chan
Mr. Pierre Bourque
Mr. He Kun

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