PORTICO INTERNATIONAL HOLDINGS LTD

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 0589)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL RESULTS HIGHLIGHTS

- Total revenue for FY2017 was RMB2,243.0 million, increased by 21.5% as compared with FY2016, while total revenue of RMB1,190.6 million in the second half of year 2017 representing an increase of 24.9% over the second half of 2016
- Gross profit margin was 77.6% (FY2016: 78.4%)
- Profit attributable to equity shareholders for FY2017 was RMB56.9 million (FY2016: RMB40.3 million), while total profit attributable to equity shareholders in the second half of year 2017 was RMB51.4 million (FY2016: RMB35.8 million)
- Earnings per share was RMB0.10 (FY2016: RMB0.07)
- No final dividend was recommended

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the “Board”) of Portico International Holdings Limited (the “Company”) hereby announces the consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 (“FY2017”) together with comparative figures for the year ended 31 December 2016 (“FY2016”) as follows:

**For identification purpose only*

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	*2017* RMB'000	*2016* RMB'000
Revenue	3	2,243,045	1,846,179
Cost of sales		(503,206)	(399,298)
Gross profit		1,739,839	1,446,881
Other income	4	26,727	9,177
Selling and distribution expenses		(1,210,374)	(1,044,846)
Administrative expenses		(126,924)	(123,398)
Other operating expenses	5	(268,423)	(159,952)
Profit from operations		160,845	127,862
Finance income		12,286	7,857
Finance costs		(6,472)	(9,536)
Net finance income/(costs)	6(a)	5,814	(1,679)
Profit before taxation	6	166,659	126,183
Income tax	7(a)	(105,499)	(82,074)
Profit for the year		61,160	44,109
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		5,388	5,138
Total comprehensive income for the year		66,548	49,247
Profit attributable to:			
Equity shareholders of the Company		56,885	40,265
Non-controlling interests		4,275	3,844
Profit for the year		61,160	44,109
Total comprehensive income attributable to:			
Equity shareholders of the Company		62,366	45,004
Non-controlling interests		4,182	4,243
Total comprehensive income for the year		66,548	49,247
Earnings per share (RMB cents)			
– Basic	8(a)	10	7
– Diluted	8(b)	10	7

Consolidated statement of financial position
at 31 December 2017
(Expressed in Renminbi)

	Note	*At 31 December 2017* RMB'000	*At 31 December 2016* RMB'000
Non-current assets			
Lease prepayments		21,755	22,251
Investment property	9	12,855	-
Other property, plant and equipment	9	404,508	451,630
Intangible assets		2,202	2,447
Interest in an associate		3,255	3,121
Deferred tax assets		223,177	198,956
		667,752	678,405
Current assets			
Inventories		782,633	800,282
Trade and other receivables	10	599,886	445,592
Other financial assets	11	164,246	1,661
Pledged deposits	12	54,350	59,487
Fixed deposits with banks with original maturity over three months		413,625	275,461
Cash and cash equivalents		246,516	374,472
		2,261,256	1,956,955
Current liabilities			
Trade and other payables	14	599,096	404,377
Bank loans	15	1,688	1,688
Current taxation		50,171	41,210
		650,955	447,275
Net current assets		1,610,301	1,509,680
Total assets less current liabilities		2,278,053	2,188,085
Non-current liabilities			
Trade and other payables	14	131,818	115,330
Bank loans	15	2,110	3,798
Deferred tax liabilities		13,609	6,289
		147,537	125,417
Net assets		2,130,516	2,062,668
Capital and reserves			
Share capital	16	1,474	1,474
Reserves		2,097,981	2,036,882
Total equity attributable to equity shareholders of the Company		2,099,455	2,038,356
Non-controlling interests		31,061	24,312
Total equity		2,130,516	2,062,668

Notes

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

Portico International Holdings Limited is a company incorporated in Bermuda with limited liability. The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in an associate.

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading securities or as financial assets at fair value through profit or loss; and

- derivative financial instruments.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated. Items included in the financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The Company has its functional currency in RMB. Most of the companies comprising the Group are operating in the People's Republic of China ("PRC") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

1 Basis of preparation (continued)

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

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

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

2 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

3 Revenue and segment reporting

(a) Revenue

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

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

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

(b) Segment reporting

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

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

(i) Segment results and assets

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

Segment assets represent inventories only.

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

The measure used for reporting segment profit/(loss) 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 segment as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	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	2,109,908	1,695,100	133,137	151,079	2,243,045	1,846,179
Segment revenue	2,109,908	1,695,100	133,137	151,079	2,243,045	1,846,179
Segment profit/(loss)	567,920	484,776	(3,962)	9,774	563,958	494,550
Selling and distribution expenses	1,139,665	925,917	36,216	26,414	1,175,881	952,331

	Retail		*Others**		*Total*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*	*31 December 2017*	*31 December 2016*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	684,454	736,596	98,179	63,686	782,633	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 wholesale. 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

	2017 RMB'000	2016 RMB'000
Revenue		
Revenue for reportable segment	2,109,908	1,695,100
Revenue for other segments	133,137	151,079
Consolidated revenue	2,243,045	1,846,179
Profit		
Profit for reportable segment	567,920	484,776
(Loss)/profit for other segments	(3,962)	9,774
	563,958	494,550
Other income	26,727	9,177
Selling and distribution expenses	(34,493)	(92,515)
Administrative expenses	(126,924)	(123,398)
Other operating expenses	(268,423)	(159,952)
Net finance income/(costs)	5,814	(1,679)
Consolidated profit before taxation	166,659	126,183

	At 31 December 2017 RMB'000	*At 31 December 2016* RMB'000
Assets		
Assets for reportable segment	684,454	736,596
Assets for other segments	98,179	63,686
Consolidated inventories	782,633	800,282
Non-current assets	667,752	678,405
Trade and other receivables	599,886	445,592
Other financial assets	164,246	1,661
Pledged deposits	54,350	59,487
Fixed deposits with banks with original maturity over three months	413,625	275,461
Cash and cash equivalents	246,516	374,472
Consolidated total assets	2,929,008	2,635,360

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Geographic information

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

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

	Revenues from external customers		*Specified non-current assets*	
	2017 RMB'000	*2016* RMB'000	*31 December 2017* RMB'000	*31 December 2016* RMB'000
Mainland China	2,083,178	1,673,104	435,935	468,070
Others	159,867	173,075	8,640	11,379
	2,243,045	1,846,179	444,575	479,449

4 Other income

	2017	*2016*
	RMB'000	RMB'000
Design and decoration income	13,265	6,995
Government grants*	1,950	320
Rental income	3,815	555
Net realised and unrealised gains on financial assets at fair value through profit or loss	3,267	-
Net realised and unrealised gains/(losses) on trading securities	144	(330)
Net loss on sales of property, plant and equipment	(642)	(175)
Share of profits of an associate	134	170
Investment income/(loss) on other short-term investments	1,266	(356)
Others	3,528	1,998
	26,727	9,177

* Government grants 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.

5 Other operating expenses

	2017	*2016*
	RMB'000	RMB'000
Write-down of inventories	217,495	149,737
Impairment loss of property, plant and equipment	50,928	10,215
	268,423	159,952

6 Profit before taxation

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

(a) Net finance (income)/costs

	2017 RMB'000	*2016* RMB'000
Interest income	(12,286)	(7,857)
Finance income	(12,286)	(7,857)
Interest expense on bank loans	269	2,537
Net foreign exchange loss	4,836	4,829
Others	1,367	2,170
Finance costs	6,472	9,536
Net finance (income)/costs	(5,814)	1,679

(b) Staff costs

	2017 RMB'000	*2016* RMB'000
Contributions to defined contribution retirement plans	22,344	21,641
Salaries, wages and other benefits	457,380	410,363
	479,724	432,004

(c) Other items

	2017 RMB'000	*2016* RMB'000
Amortisation		
- lease prepayments	496	519
- intangible assets	245	-
Depreciation	93,801	93,326
Operating lease charges in respect of properties		
- minimum lease payments	242,169	232,344
- contingent rents	314,768	260,423
Auditors' remuneration - audit services	2,100	2,100
Cost of inventories#	720,701	549,035
Impairment losses		
- trade and other receivables (note 10(b))	1,878	2,562
- property, plant and equipment	50,928	10,215

\# Cost of inventories includes RMB127,873,000 (2016: RMB129,483,000) 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 6(b) for each type of these expenses.

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

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

	2017 RMB'000	*2016* RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	120,856	90,026
(Over)/under provision in respect of prior years	(967)	560
	119,889	90,586
Deferred tax		
Origination and reversal of temporary differences	(14,390)	(8,512)
	105,499	82,074

(i) Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in British Virgin Islands ("BVI") and Samoa Islands are not subject to any income tax in their local jurisdictions.

(ii) No provision for Hong Kong Profits Tax, Macau Complementary (Profits) Tax, USA Income Tax, Italy Income Tax and Canada Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax, Macau Complementary (Profits) Tax, USA Income Tax, Italy Income Tax and Canada Income Tax during the years ended 31 December 2017 and 2016.

(iii) All PRC subsidiaries are subject to income tax at 25% for the years ended 31 December 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.

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

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

	2017	*2016*
	RMB'000	RMB'000
Profit before taxation	166,659	126,183
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	32,761	28,128
Tax effect of non-deductible expenses	195	129
Tax effect of non-taxable income	(92)	(43)
Tax effect of unused tax losses not recognised	58,642	41,212
Utilisation of previously unrecognised tax losses	(1,156)	(1,252)
Withholding tax	16,441	13,340
(Over)/under provision in prior years	(967)	560
Others	(325)	-
Actual tax expense	105,499	82,074

8 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 RMB56,885,000 (2016: RMB40,265,000) and the weighted average number of 554,453,492 ordinary shares (2016: 554,453,492 ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the years ended 31 December 2017 and 2016, diluted earnings per share are the same as the basic earnings per share as the Company did not have dilutive potential shares outstanding during the years.

9 Investment property, other property, plant and equipment

(a) Buildings with net book value of RMB15,637,000 as at 31 December 2017 (31 December 2016: RMB16,610,000) were pledged as collateral of the Group's bank loans (note 15).

(b) As at 31 December 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 rate, sales growth rates and cost inflation rates. Management estimates the discount rate using a pre-tax rate that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Sales growth rates 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 RMB50,928,000 recognised for the year ended 31 December 2017 (2016: RMB10,215,000), which was included in "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

10 Trade and other receivables

	2017	*2016*
	RMB'000	RMB'000
Trade receivables	344,864	248,112
Less: allowance for doubtful debts (note 10(b))	(9,440)	(7,562)
	335,424	240,550
Amounts due from related parties (note 13)	8,571	7,635
Advances to suppliers	74,918	36,055
Other receivables, deposits and prepayments	180,973	161,352
	599,886	445,592

Trade and other receivables of the Group included deposits of RMB94,132,000 (31 December 2016: RMB81,121,000) which are expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

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

	2017	*2016*
	RMB'000	RMB'000
Within 1 month	267,164	199,010
Over 1 month but within 3 months	49,693	27,316
Over 3 months but within 6 months	5,269	6,169
Over 6 months	13,298	8,055
Total	335,424	240,550

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

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

10 Trade and other receivables (continued)

(b) Impairment of trade receivables

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

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

	2017	*2016*
	RMB'000	RMB'000
As at 1 January	7,562	5,000
Impairment loss recognised	1,878	2,562
As at 31 December	9,440	7,562

As at 31 December 2017, the Group's trade receivables of RMB8,985,000 (31 December 2016: RMB11,176,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB8,985,000 (2016: RMB7,446,000) were recognised.

(c) Trade receivables that are not impaired

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

	2017	*2016*
	RMB'000	RMB'000
Neither past due nor impaired	289,534	199,010
Less than 1 month past due	24,462	27,316
1 to 3 months past due	6,099	6,169
Over 3 months but less than 12 months past due	6,628	1,672
Over 12 months	63	438
Total	326,786	234,605

10 Trade and other receivables (continued)

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

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11 Other financial assets

	2017 RMB'000	*2016* RMB'000
Trading securities	1,805	1,661
Financial assets at fair value through profit or loss*	162,441	-
	164,246	1,661

* As at 31 December 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 RMB162,000,000 (31 December 2016: nil). There are no fixed or determinable returns of these wealth management products and trust products.

12 Pledged deposits

	2017 RMB'000	*2016* RMB'000
Security for letter of credit and letter of guarantee issued by banks	36,798	59,487
Others	17,552	-
	54,350	59,487

13 Amounts due from/to related parties

	2017 RMB'000	*2016* RMB'000
Amounts due from related parties		
Ports International Retail Corporation	8,536	7,550
Beijing Scitech Holdings Limited and its subsidiaries	35	85
	8,571	7,635

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

	2017 RMB'000	*2016* RMB'000
Amounts due to related parties		
Ports International Retail Corporation	6,639	6,337
Beijing Scitech Holdings Limited and its subsidiaries	1,472	162
	8,111	6,499

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

14 Trade and other payables

	2017 RMB'000	*2016* RMB'000
Current		
Trade payables	123,742	92,729
Amounts due to related parties (note 13)	8,111	6,499
Derivative financial liabilities – foreign forward exchange contracts	-	356
Other creditors and accruals	467,243	304,793
	599,096	404,377
Non-Current		
Other creditors and accruals	131,818	115,330
Total	730,914	519,707

14 Trade and other payables (continued)

The amount of deposits expected to be settled after more than one year is RMB2,594,000 (31 December 2016: RMB3,755,000). All the other current trade and other payables (including amounts due to related parties) are expected to be settled within one year or repayable on demand.

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

	2017 RMB'000	*2016* RMB'000
Within 1 month	61,933	71,005
Over 1 month but within 3 months	41,524	10,415
Over 3 months but within 6 months	14,910	5,633
Over 6 months	5,375	5,676
	123,742	92,729

15 Bank loans

At 31 December 2017, the bank loans were repayable as follows:

	2017 RMB'000	*2016* RMB'000
Bank loans repayable within one year or on demand	1,688	1,688
Non-current bank loans	3,798	5,486
Less: Repayable within one year	(1,688)	(1,688)
Bank loans repayable more than one year	2,110	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 31 December 2017, the bank loans of the Group were secured by mortgages over buildings with aggregate carrying amount of RMB15,637,000 (31 December 2016: RMB16,610,000)(note 9).

16 Share capital

Authorised and issued share capital

	2017		*2016*	
	Number of shares	*Amount* HK$'000	*Number of shares*	*Amount* HK$'000
Authorised:				
Ordinary shares of HK$0.0025 each	3,600,000,000	9,000	3,600,000,000	9,000
Issued and fully paid:				
At the beginning and end of the year	554,453,492	1,386	554,453,492	1,386
		RMB'000 *equivalent*		RMB'000 *equivalent*
		1,474		1,474

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

17 Dividends

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

18 Commitments

(a) Operating lease commitments

At 31 December 2017, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2017	*2016*
	RMB'000	RMB'000
Within 1 year	205,731	232,717
After 1 year but within 5 years	688,109	689,199
After 5 years	123,606	283,285
	1,017,446	1,205,201

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

(b) Capital commitments

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

	2017	*2016*
	RMB'000	RMB'000
Authorised but not contracted for	69,000	88,500

19 Material related party transactions

Transactions with the following entities are considered as significant related party transactions for the years ended 31 December 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 Alfred Chan Kai Tai and Edward Tan Han Kiat have significant influence
Beijing Scitech Holdings Limited and its subsidiaries	Company controlled by Alfred Chan Kai Tai and Edward Tan Han Kiat

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

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2017 and 2016 are as follows:

(a) Transactions with key management personnel

	2017 RMB'000	*2016* RMB'000
Short-term employee benefits	3,744	4,209
Contribution to defined contribution retirement plans	67	34

Total remuneration is included in "staff costs" (note 6(b)).

(b) Sales, purchases and rental charges

	2017 RMB'000	*2016* RMB'000
Sales of goods to:		
Ports International Retail Corporation	6,009	9,499
Purchases of goods from:		
Ports International Retail Corporation	863	505
Rental fee charged to:		
Beijing Scitech Holdings Limited and its subsidiaries	5,054	565

19 Material related party transactions (continued)

(c) Other transactions

	2017 RMB'000	*2016* RMB'000
Rental fee reimbursed to:		
PKL*	12,768	12,326

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

BUSINESS REVIEW AND OUTLOOK

Following the turnaround of downfall in revenue since FY2016, the Group was able to sustain on the upward trend and recorded a 21.5% growth in the total revenue for the financial year ended 31 December 2017, as compared with the corresponding period in 2016. The increasing recognition and popularity of our PORTS labels among different target segments and a recovery in demand of the luxury fashion apparel in the midst of cyclical upswing in the global economies are the key contributing factors to such excellent results.

Since 2016 and continuing throughout 2017, we have undergone a thorough review and restructuring of our organizational structure with the objective of enhancing and optimizing the operational efficiency and decision-making process.

Our swift response to the growing demand in affordable luxury apparel and quick change in fashion trends has received encouraging feedback from our customers. In particular, PortsPURE and ISABELLA have been receiving increasing amount of attention in the market among our young female customers. The broadened and more diversified collections in our product portfolio will allow us to capture the growth momentum in different segments in the long run. It will also allow us to benefit from economies of scale across the operations, from sourcing, manufacturing, logistic and distribution.

Our wholesale and distribution activities in the up-and-coming markets across the globe continued to enjoy positive performance results in 2017. We have recorded a 4.2% growth in our wholesale revenue as compared with FY2016. We were able to utilize our distribution partners' strong expertise and connections with local peers and media to increase the awareness of the local fashion lovers about our brand, our collections and our fashion concepts. Going forward, we target to expand our retail network to cities with huge growing potentials in the fashion industry and we expect to open a Ports branded store in one of the leading shopping arcades in Macau in mid-2018. On our retail front, we cautiously expand our retail store network and dedicate to improve our e-commerce platform in order to maximize our exposure and enhance our customer's experience and enjoyment when shopping with us both online and offline.

As at 31 December 2017, the financial position of the Group remained very strong and solid, with approximately RMB714.5 million of cash and cash equivalents, fixed deposit with banks and pledged deposits and the current ratio was 3.47 (as at 31 December 2016: 4.38) based on the current assets of RMB2,261.3 million and current liabilities of RMB651.0 million. As part of the treasury management policy, the Group has purchased and/or subscribed certain wealth management products and trust products issued by reputable financial institutions in the PRC with aggregate principal amount of RMB162.0 million in order to enhance the financial return of capital with no immediate plan of application. We will continue to adopt a prudent approach towards the application of our capital with the primary objective of maintaining a solid financial foundation for the long-term development of our Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

Revenue of the Group increased from RMB1,846.2 million in FY2016 to RMB2,243.0 million in FY2017, representing an increase of 21.5%; while the total revenue increased from RMB953.5 million in the second half of year 2016 to RMB1,190.6 million in the second half of year 2017, representing an increase of 24.9%. Revenue comprises one reportable segment under "Retail" and revenue generated from other business activities. Please refer to note 3(b) under section "Notes" for further details.

Retail segment revenue

Retail segment revenue increased from RMB1,695.1 million in FY2016 to RMB2,109.9 million in FY2017, representing an increase of 24.5%, while the retail segment revenue increased from RMB882.1 million in the second half of year 2016 to RMB1,138.0 million in the second half of year 2017, representing an increase of 29.0%, following a gradual recovery of the luxury fashion retail market and an increasing recognition of our core label "Ports 1961" and our diffusion label "PortsPURE" among fashion lovers of different segments. As at 31 December 2017, the Group operated 398 retail stores in Mainland China, Hong Kong, the U.S. and Canada as compared with 343 retail stores as at 31 December 2016, in light of a more positive market sentiment and our ability to secure appropriate locations which can further complement our retail network. The contribution from Retail segment to total revenue has increased from 91.8% in FY2016 to 94.1% in FY2017.

Revenue from other business activities ("Others segment revenue")

Others segment revenue decreased by 11.9%, from RMB151.1 million in FY2016 to RMB133.1 million in FY2017, as the Group has shifted its strategic focus away from the OEM business which generates a lower profit margin. The contribution from Others segment revenue to total revenue decreased from 8.2% in FY2016 to 5.9% in FY2017.

Gross profit

Gross profit increased from RMB1,446.9 million in FY2016 to RMB1,739.8 million in FY2017, representing an increase of 20.2%, while the gross profit increased from RMB742.7 million in the second half of 2016 to RMB901.2 million in the second half of year 2017, representing an increase of 21.3%. Gross profit margin slightly decreased from 78.4% in FY2016 to 77.6% in FY2017.

Retail segment gross profit

Retail segment gross profit increased by 21.0% from RMB1,410.7 million in FY2016 to RMB1,707.6 million in FY2017, while the retail segment gross profit increased from RMB728.6 million in the second half of year 2016 to RMB895.6 million in the second half of year 2017, representing an increase of 22.9%. Retail segment gross profit margin slightly decreased to 80.9% in FY2017 (FY2016: 83.2%).

Others segment gross profit

Others segment gross profit decreased from RMB36.2 million in FY2016 to RMB32.2 million in FY2017, representing a decrease of 11.0%, which resulted from the diminishing transaction volume from our OEM business. Others segment gross profit margin increased from 24.0% in FY2016 to 24.2% in FY2017.

Other income

Other income mainly consisted of design and decoration income, investment income as well as rental income. Other income increased by 190.2%, from RMB9.2 million in FY2016 to RMB26.7 million in FY2017, primarily contributed by the increase of investment income, the rental income received from the leasing of property since the beginning of 2017 and the subsidy from the landlord as compared to FY2016, due to the increasing popularity of our brand and a stronger negotiation power with the landlord.

Operating expenses

Operating expenses increased from RMB1,328.2 million in FY2016 to RMB1,605.7 million in FY2017, representing an increase of 20.9%. 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 were mainly comprised of rental charges, salaries and benefits, stores and mall expenses, depreciation charges and marketing expenses. Selling and distribution expenses increased from RMB1,044.8 million in FY2016 to RMB1,210.4 million in FY2017, representing an increase of 15.8% (FY2016: 6.0%). The increase was mainly due to the increase in rental charges and marketing expenses, as well as the increase in salaries and benefits for retail sales staff. Given that some of the rental arrangements with certain landlords were in the form of turnover rent and part of the salaries of the sales staff comprised of turnover linked commission, the increase in sales revenue would inevitably increase the selling and distribution expenses. However, the percentage of increment of expenses is lower than the increase in revenue, showing the improvement of store efficiency in general. Selling and distribution expenses as a percentage of retail segment revenue decreased to 57.4% in FY2017 (FY2016: 61.6%).

Rental charges increased by 13.0% (FY2016: 10.7%) from RMB492.8 million in FY2016 to RMB556.9 million in FY2017, mainly due to the increase in number of retail stores from 343 in FY2016 to 398 retail stores in FY2017 and the rent paid for certain retail stores has increased accordingly in FY2017. Rental charges as a percentage of retail segment revenue has dropped to 26.4% in FY2017 (FY2016: 29.1%).

Marketing expenses, mainly including advertising expenses and consultant service fees in relation to our brand development, have increased by 36.3% from RMB67.7 million in FY2016 to RMB92.3 million in FY2017. Brand building is an important strategy of the Group to further solidify the status of "Ports 1961" as an important member among the luxury fashion industry, which will stimulate our growth momentum in medium to long run. Marketing expenses as a percentage of retail segment revenue increased to 4.4% in FY2017 (FY2016: 4.0%).

Salaries and benefits for retail sales staff increased from RMB239.8 million in FY2016 to RMB286.6 million in FY2017, representing an increase of 19.5% (FY2016: 14.4%). As a percentage of retail segment revenue, it decreased from 14.1% in FY2016 to 13.6% in FY2017.

Administrative expenses

Administrative expenses increased from RMB123.4 million in FY2016 to RMB126.9 million in FY2017, representing an increase of 2.8%, due to increase in consulting expenses and salaries and benefits for administrative staff. Administrative expenses as a percentage of total revenue decreased to 5.7% in FY2017 (FY2016: 6.7%).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, increased from RMB70.6 million in FY2016 to RMB71.4 million in FY2017, representing an increase of 1.1%. Salaries and benefits for administrative staff as a percentage of total revenue decreased to 3.2% in FY2017 (FY2016: 3.8%) due to our tight expenses control across the organization.

Other operating expenses

Other operating expenses increased from RMB160.0 million in FY2016 to RMB268.4 million in FY2017, representing an increase of 67.8% or RMB108.4 million, due to the increase in write-down of inventories and impairment loss of leasehold improvements of retail stores. In FY2017, the stock provision made as a percentage of retail segment revenue increased to 10.3% (FY2016: 8.8%). 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.

Profit from operations

The profit from operations of the Group increased from RMB127.9 million in FY2016 to RMB160.8 million in FY2017, representing an increase of RMB32.9 million, while the profit from operations increased from RMB96.7 million in second half of year 2016 to RMB111.7 million in second half of year 2017, representing an increase of RMB15.0 million, predominantly contributed by the increase in profit from the retail segment. The Group's operating margin (i.e. profit from operations expressed as a percentage of total revenue) increased from 6.9% in FY2016 to 7.2% in FY2017.

Net finance income/(costs)

Net finance income/(costs) increased from net finance costs of RMB1.7 million in FY2016 to net finance income of RMB5.8 million in FY2017, representing an increase of 441.2%. In FY2017, the Group reported an interest income of RMB12.3 million, representing an increase of RMB4.4 million from RMB7.9 million in FY2016. On the other hand, interest expense for the Group decreased by RMB2.2 million, from RMB2.5 million in FY2016 to RMB0.3 million in FY2017 due to the repayment of certain bank loans. The Group recorded an exchange loss of RMB4.8 million in FY2017 which is at a more or less the same level as compared with FY2016. The management team has adopted a very pragmatic and prudent financial management approach to ensure an appropriate application of capital in order to strike a balance of getting reasonable return and facilitating operational needs.

Income tax

The Group's income tax increased by 28.5% from RMB82.1 million in FY2016 to RMB105.5 million in FY2017. The effective income tax rate decreased to 63.3% in FY2017 (FY2016: 65.0%), mainly due to certain current year losses for which no deferred tax asset was recognized.

Profit attributable to equity shareholders

As a result of the factors discussed above, profit attributable to equity shareholders of the Company increased from RMB40.3 million in FY2016 to RMB56.9 million in FY2017, as a result of the increase in retail segment revenue.

Financial position, liquidity and gearing ratio

As at 31 December 2017, the Group had RMB714.5 million in cash and cash equivalents, fixed deposits with banks with original maturity over three months and pledged deposits, which had slightly increased by 0.7% as compared to RMB709.4 million as at 31 December 2016. As at 31 December 2017, the Group had bank loans of RMB3.8 million, representing a decrease of 30.9% from RMB5.5 million as at 31 December 2016. As such, the interest expenses decreased by 88.0% to RMB0.3 million in FY2017 (FY2016: RMB2.5 million).

Net cash generated from operations activities was RMB249.8 million in FY2017 as compared with RMB119.9 million in FY2016, representing an increase of 108.3% which was primarily contributed by the increase in profit before taxation resulted from the increase in retail segment revenue during FY2017.

As at 31 December 2017, the Group's gearing ratio was 0.2% (as at 31 December 2016: 0.3%) calculated as outstanding borrowings of RMB3.8 million (as at 31 December 2016: RMB5.5 million) over total equity of RMB2,130.5 million (as at 31 December 2016: RMB2,062.7 million). As at 31 December 2017, the current ratio was 3.47 (as at 31 December 2016: 4.38) based on current assets of RMB2,261.3 million (as at 31 December 2016: RMB1,957.0 million) and current liabilities of RMB651.0 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, United States Dollars, Hong Kong Dollars, Euro and JPY, with major banks in Mainland China and Hong Kong and hence, the Group is exposed to foreign exchange risk arising from the fluctuation of exchange rates among those currencies. The management will continue to monitor the foreign exchange risk of the Group on a regular basis. The Group does not employ any financial instruments for hedging purposes.

Capital commitments and contingent liabilities

As at 31 December 2017, the Group had capital commitments of RMB69.0 million, as compared with RMB88.5 million as at 31 December 2016, which was authorised but not contracted for. The Group has no material contingent liabilities as at 31 December 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 31 December 2017, the Group had cash and cash equivalents, fixed deposits with banks with original maturity over three months and pledged deposits of RMB714.5 million (as at 31 December 2016: RMB709.4 million), denominated principally in RMB, United States Dollars, Hong Kong Dollars, Euro and JPY. As at 31 December 2017, the Group had bank loans of RMB3.8 million (as at 31 December 2016: RMB5.5 million), denominated in RMB. The directors of the Company ("Directors") believe that the cash balances and net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 31 December 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 RMB162.0 million. There are no fixed or determinable returns for these wealth management products and trust products.

Charges on assets

As at 31 December 2017, the Group's bank deposits in the amount of RMB54.4 million (as at 31 December 2016: RMB59.5 million) and buildings in the amount of RMB15.6 million (as at 31 December 2016: RMB16.6 million) were mainly pledged to secure bank loans, letter of credit and letter of guarantee granted to the Group in connection with its operation in the ordinary course of business.

Human resources

As at 31 December 2017, the Group has approximately 4,471 employees (as at 31 December 2016: approximately 4,500 employees). Total personnel expenses, comprised of wages, salaries and benefits, amounted to RMB479.7 million in FY2017, compared with RMB432.0 million in FY2016, representing an increase of 11.0%. In FY2017, total personnel expenses as a percentage of the Group's revenue was at 21.4% (FY2016: 23.4%).

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

Purchase, sale or redemption of the Company's listed or redeemable securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed or redeemable securities during FY2017 (FY2016: nil).

Audit committee

The audit committee of the Company ("Audit Committee") consists of Mr. Kevin De-Kang Yin, Mr. Wanhe Zheng and Mr. Antonio Delfin Gregorio, all of whom are independent non-executive directors, with terms of reference in compliance with the Listing Rules. Mr. Kevin De-Kang Yin, who was appointed as independent non-executive director as well as the chairman of the Audit Committee of the Company with effect from 22 November 2017, while Mr. Tao Lin resigned as chairman of the Audit Committee on the same date. The Company has established the Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The Audit Committee has reviewed the consolidated financial statements for FY2017 and the accounting principles and practices adopted, and discussed auditing, internal controls and financial reporting matters with the management and the Company's external auditors.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the Company's code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the Model Code in their securities transactions throughout FY2017.

Corporate governance code

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout FY2017.

Dividend

The Board does not recommend any interim or final dividend for the year ended 31 December 2017 (FY2016: nil).

Closure of register of members

The register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the identity of the shareholders who are entitled to attend and vote at the annual general meeting, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 25 May 2018.

Publication of annual report

This announcement is available for viewing on the websites of the HKEx (http://www.hkexnews.hk) and the Company (http://www.portico-intl.com). The annual report for FY2017 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 Monday, 30 April 2018.

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

Hong Kong, 29 March 2018

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

Executive Directors:
Mr. Alfred Chan Kai Tai
Mr. Anthony P. Chan
Ms. Jenny Ching Ching Tan
Mr. Kun He

Independent Non-Executive Directors:
Mr. Wanhe Zheng
Mr. Antonio Delfin Gregorio
Mr. Kevin De-Kang Yin