



Ports Design Limited

2005 Year in Review

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2nd Half 2005

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- Continued strong retail sales in 2H 2005
- Strong international press and public response to Ports 1961 label
- New flagship location in HangZhou
- New production capacity on stream and ready for increased volumes
- Significant impact from US and EU safeguard quotas on BMW export and OEM businesses
- Tighter control on store expansion for new Ports locations in 2005

Ports 1961 Spring/Summer 2006 “Voyage Riyadh”, Cairo



Retail Segment

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- **Increasing importance of PORTS and BMW Lifestyle stores in China and Hong Kong, contributing over 70% of turnover and over 85% of gross profit for the Company**
- **Retail turnover growth for 2005 continued upward trend**
- **Hong Kong same store sales growth now comparable to stores in China**
- **To improve same-store sales and profitability, the rate of new Ports store openings slowed to a net increase of 7% in 2005, from 10% in 2004**
- **Additional production capacity now available to avoid future production restraints on Ports apparel**

Ports 1961 fashion show, Shangri-La, Hong Kong



Ports Retail

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- **Strong sales in cities across China, same-store sales from September to December 2005 achieved over 30% growth**
- **Flagship location in HangZhou opened in October 2005**
- **Management increased performance benchmarks for individual stores in 2005, resulting in fewer net new store openings than 2004**
- **With fewer new locations in 2H 2005, retail turnover growth was stronger than 1H 2005**
- **Average selling price increased in-line with previous years at approximately 7%**

**Ports 1961 flagship store on Euro street HangZhou,
The most prestigious shopping district in the city,
next to West Lake**



BMW Lifestyle

- **Similar gross margins to Ports retail stores, even after royalty payment to BMW AG**
- **Complimentary product line to Ports – BMW is sporty/casual while Ports is more formal**
- **BMW's luxury image means new BMW store openings can leverage existing Ports relationships in high-end department stores**
- **Positive indications in 1H 2005 led to an increase in the number of new BMW Lifestyle stores from 17 stores in 2004 to 30 stores 2005, an increase of 76%**



Images from BMW Lifestyle Fall/Winter fashion show in Beijing, October 2005



Marketing and Promotion

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- Ports continued its tradition of strong advertising campaigns and editorial coverage, with advertising and promotional expenses in 2005 in-line with historic levels at approximately 4.5% of retail turnover
- Asian celebrities seen wearing Ports include actresses Li Bin Bin and RongZhen Xu, CCTV host Liu Fang Fei, Phoenix TV anchor Chen Lu Yi and model Helen Wong
- Editorials and coverage by Elle, Bazaar, NY Times, W Magazine, Flare, Glamour, Marie Claire, NY Moves, Cosmopolitan and WWD



shown: editorials from NY Moves and Marie Claire



Marketing and Promotion

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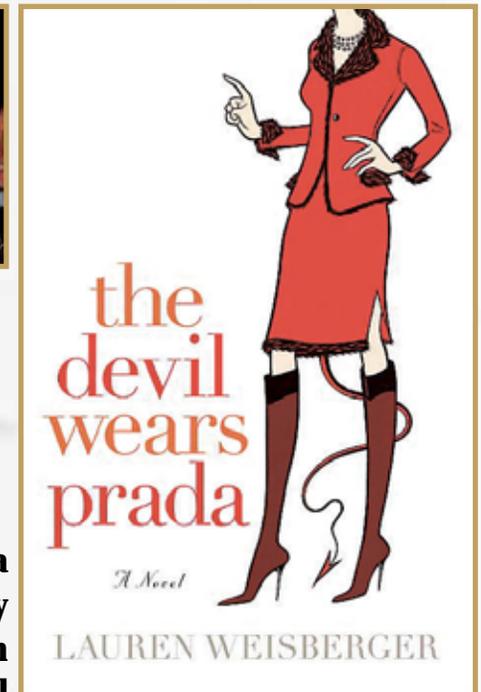
- Ports 1961 launched at Saks Fifth Avenue in September 2005, covered by Vogue, Bazaar, Cosmopolitan, Marie Claire, and NBC
- Hosted by Ports, Credit Suisse First Boston held their party celebrating the “Women of 2005” at our Ports New York showroom
- Upcoming 21st Century FOX picture, “The Devil Wears Prada” began filming in New York on August 4th - starring Anne Hathaway in Ports 1961 as the lead and co-starring Meryl Streep, with Ports visuals appearing throughout the movie



Ports 1961 creative director, Tia Cibani with fashion editor Lloyd Boston of NBC at Saks Fifth Avenue launch, NYC



The Devil Wears Prada starring Anne Hathaway and Meryl Streep began filming in the fall



Marketing and Promotion

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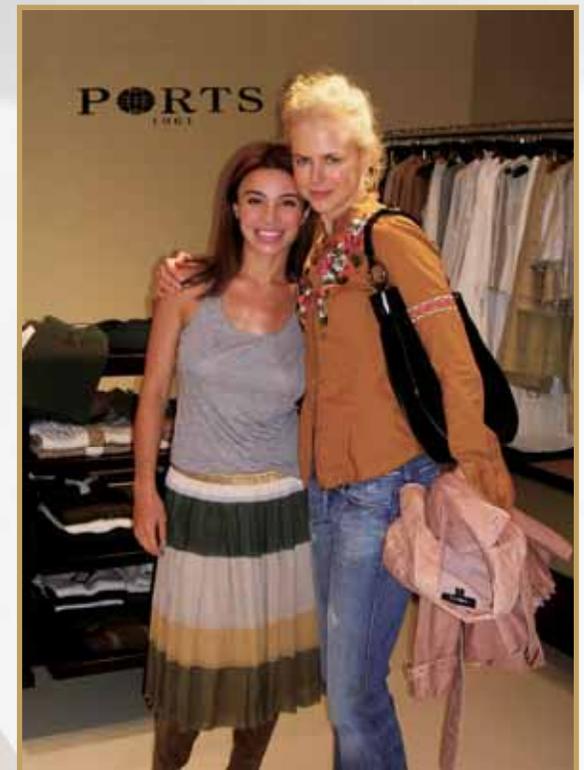
- **Press and celebrity sightings internationally increase brand strength in China**
- **Western celebrities spotted in Ports include Kelly Preston, Nicole Kidman, Molly Simms, Celine Dion, Reese Witherspoon, and Lee Ann Womack**



Celine Dion – ordered Fall/Winter 2005 dress after seeing the advertisement



Kelly Preston in Ports 1961 at premiere of Sky High



Ports 1961 creative director, Tia Cibani with Nicole Kidman, at Ports NYC showroom

Building the Ports legend

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- **Customers can identify with stories from PORTS history, and with designs inspired by those stories;**

Ports of Call



The founder's love of travel, tall ships, and the spirit of the global village, set the theme and direction for over 40 years of Ports designs.

The Boyfriend Jacket



Inspired by a stroll on a cold autumn night, the legend of the boyfriend jacket was born in the reflection in a passing window.

OEM & Other segments

- **Turnover and gross profit increases during 1H 2005 were severely impacted by the imposition of US and EU safeguard quotas in 2H 2005**
- **Most OEM business (over 70%) is to Canada where import safeguard measures were not imposed, the balance of business is between USA (approximately 20%) and Europe (approximately 10%)**
- **Orders are expected to resume in January 2006 to customers in the USA and Europe, but future quota limitations remain a concern**
- **BMW exports were seriously affected in 2H 2005 by EU and US safeguard quotas**
- **BMW export orders resumed in January 2006, but growth may be restricted as continuing quota issues are a concern**
- **Exchange loss from foreign currency holdings expected to remain approximately the same in 2H 2005 as in 1H 2005**

Operating Expenses

- **Retail operating expenses remained constant during 2H 2005, increasing the group's operating leverage as more stores were added to the network**
- **Capital expenditures exceeded RMB45 million in 2005, due mainly to factory and distribution facility expansion, which was completed in November 2005**
- **Production capacity can now scale to match demand for the foreseeable future**
- **Overhead for OEM and BMW Export divisions remained constant while sales from exports declined, having an adverse effect on net profit for 2H 2005**
- **Transportation costs maintaining flow of goods to stores continued to increase in 2H 2005 with rising fuel prices in China**

Building for the Future

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- **Company remains in strong financial position with approximately RMB346 million in cash and cash equivalents with no bank borrowings**
- **Increased dividend policy in 2005 to 60% of net earnings, dividend payout increased from RMB56.8 million in 2004 to RMB88.4 million in 2005, an increase of 55.6%**
- **Project to double production capacity and triple distribution capacity completed in 2H 2005 to match growing demand**
- **Expansion of product categories within existing brands, including watches, leather goods, fragrance, and jewelry**
- **Expansion of gross margins by manufacturing more products in-house, such as leather accessories**
- **Continuing to explore multi-brand strategy through licensing, distribution and acquisition**
- **Maintain brand position with increased number of highly visible flagship locations in China's most prominent shopping districts**
- **In February 2006, Ports will launch "Prestige Club" – a new CRM initiative designed to maximize customer satisfaction and enhance service beyond current levels**