



**2008 Interim Results Announcement**

**Ports Design Limited**

**HK: 0589**

**26 August, 2008**



# 2008 Interim Results Highlights

- ▣ Strong Group Turnover growth of 19.90% to RMB692.6 million
  - ▣ Strong performance by Retail segment (Sales growth of 28.94% YoY)
  - ▣ Retail gross profit margin increased to 84.09%, up from 81.52% last year
- ▣ Group Operating Profit increased by 31.89% to RMB190.7 million due to greater contribution from the higher margin Retail segment
- ▣ Group GP Margin increased to 77.05%; (1H 2007: 71.62%) due to impact of higher margin Retail segment
- ▣ Group Net Profit Margin rose to 26.48%; (1H07: 24.72%) due to higher margin Retail segment and increasingly larger economies of scale



*Demonstrating an ability to generate strong growth despite challenging economic environment*

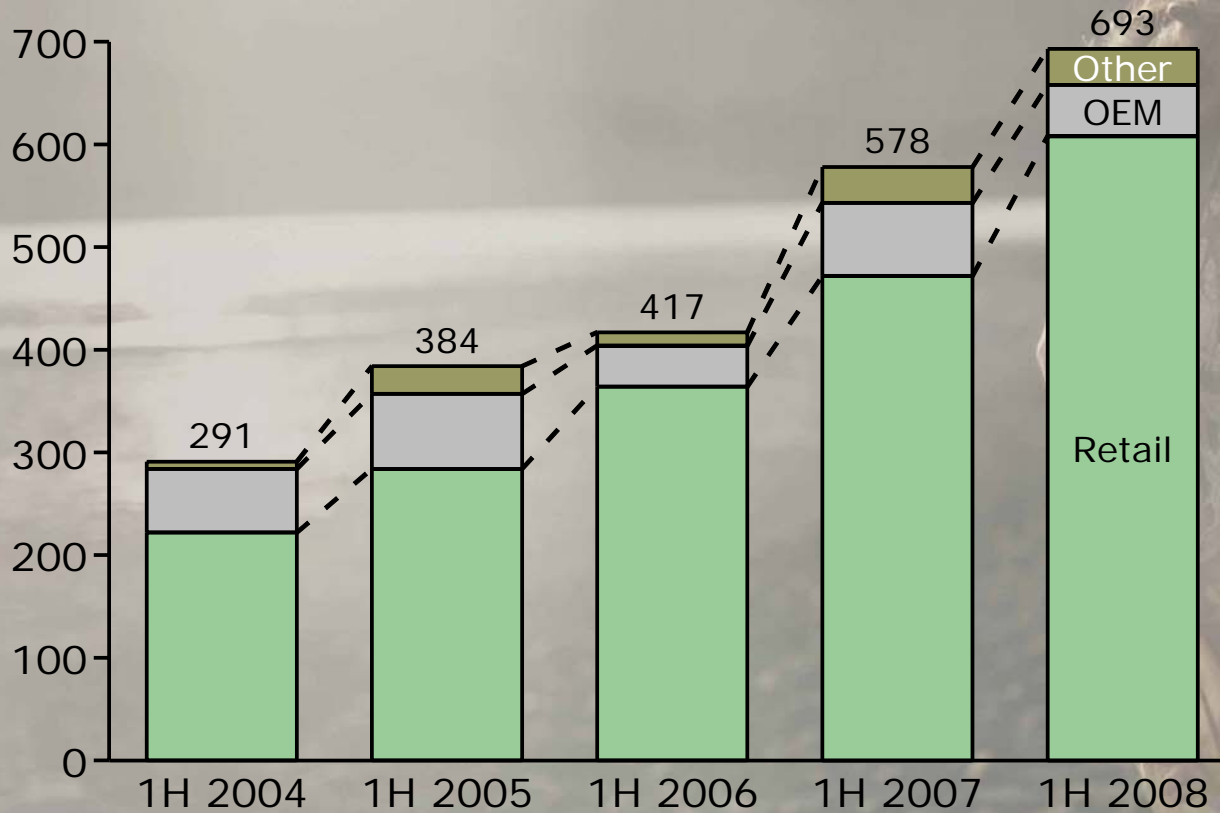


# 2008 Interim Results Highlights

- ☒ Profit Before Tax for the Group up 35.84% to RMB202.2 million
- ☒ Net Profit for the Group up 28.43% to RMB183.4 million
- ☒ EPS increased 28.00% to RMB0.32 per share
- ☒ Proposed Interim Dividend Payment of RMB0.21 per share, an increase of 32.88%
- ☒ Cash, cash equivalents and fixed deposits with banks of RMB671.8m (*FY2007: RMB526.2 m, 1H 2007: RMB526.4m*)
- ☒ JV established to operate Vivienne Tam retail business in PRC
- ☒ Non-exclusive distribution agreement with Giorgio Armani S.p.A to distribute Armani apparel in PRC

# Segment Performance

Turnover (RMB m)



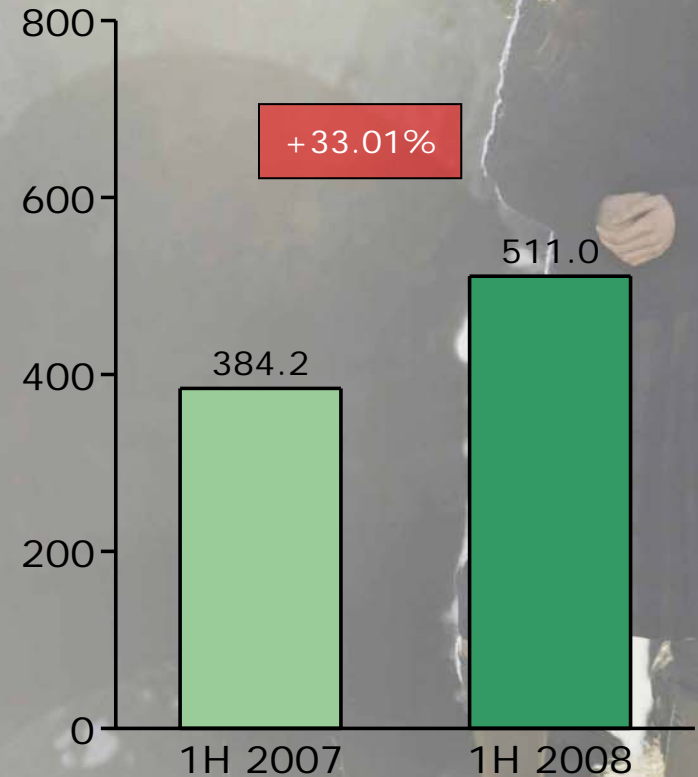
Retail GP Margin	77.8%	78.1%	81.7%	81.5%	84.1%
OEM GP Margin	15.5%	17.6%	19.2%	14.9%	12.8%
Other GP Margin	37.7%	54.1%	41.8%	53.6%	46.7%

# Retail Segment

Turnover (RMB m)



Gross Profit (RMB m)

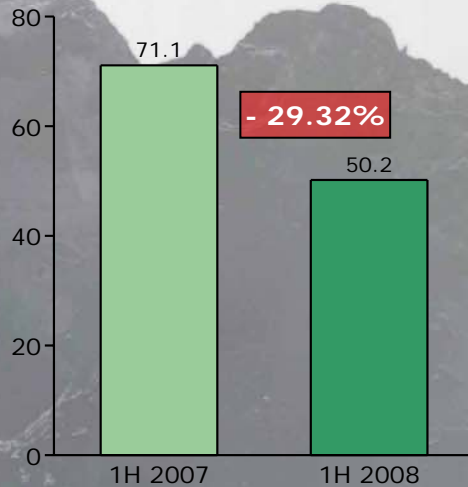




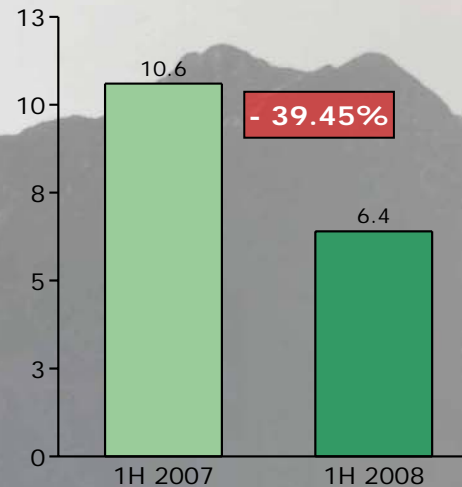
- ▣ Retail segment maintained strong growth momentum from 2H 2007 across *Ports* and *BMW Lifestyle* collections
  - ▣ Continued strong retail store performance from both *Ports* and *BMW Lifestyle* – SSS of 30%; (FY2007: 27%, 1H 2007: 27%) during 1H 2008
- ▣ Group's retail network consisted of 348 stores (313 *Ports*, 35 *BMW Lifestyle*) at June 30, 2008, compared with 360 stores at year end 2007. Expect net increase of 4%-5% store count during 2H 2008.
- ▣ New *BMW Lifestyle* flagship launched in April 2008 at the Oriental Plaza shopping centre in Beijing
- ▣ Expect to roll-out more *BMW Lifestyle* stores using new design concept at an increased rate going forward



Turnover (RMB m)



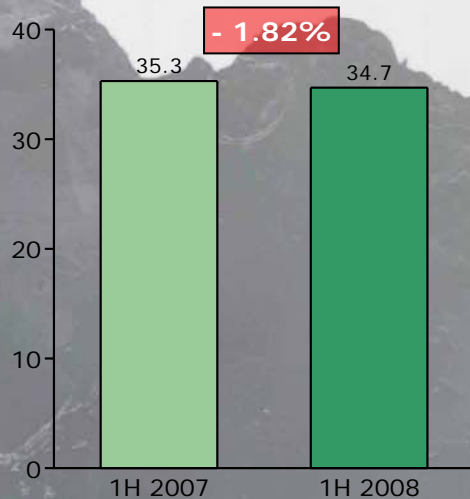
Gross Profit (RMB m)



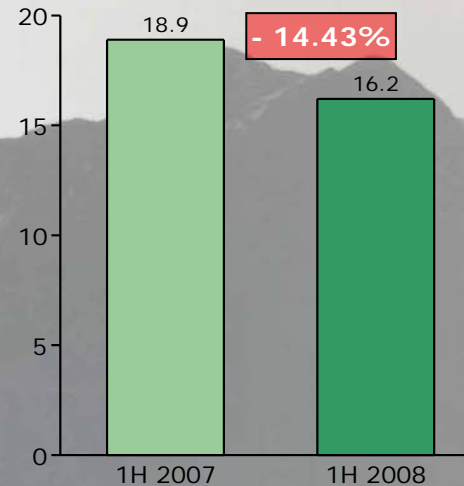
- ☒ OEM turnover dropped due to weak N America market
  - ☒ Expect similar situation in 2H 2008
- ☒ Gross Profit declined due to poor global economy
- ☒ Margin negatively impacted by RMB appreciation and removal of VAT rebates
- ☒ Expect OEM margin to stabilize as PRC reinstates VAT rebates to support export business and exchange rate to stabilize

# Unallocated ("Other") Segment

Turnover (RMB m)



Gross Profit (RMB m)



☒ Turnover declined by 1.82% to RMB34.7 million.

☒ Decline in *BMW* exports offset by increase in exports of *Ports* products

☒ Contribution to total Group Turnover also decreased from 6.11% in 1H 2007 to 5.01% in 1H 2008, driven by Retail Segment growth

☒ GP Margin declined to 46.70% (from 51.63% in 1H 2007) due mainly to the weak EEC market

☒ *BMW Lifestyle* exports to BMW worldwide dealers expected to grow modestly due to introduction of new products



# Inventory

- ☒ Rise in inventory turnover days from 383 days in 1H 2007 to 453 days in 1H 2008 due to gearing up of new business
- ☒ Value of inventory at 30 June 2008 was RMB393.2 million, compared with RMB349.2 m at 31 December 2007, an increase of 12.60% due to planned expansion of new business

<b>Inventory</b>	<b>31 Dec 2007 (RMB m)</b>	<b>30 Jun 2008 (RMB m)</b>	<b>% Change</b>
Raw Materials	88.3	107.2	+ 21.43%
Work in progress	33.4	42.4	+ 26.88%
Finished Goods	226.0	242.2	+ 7.15%
Goods in transit	1.5	1.4	- 4.95%
<b>Total</b>	<b>349.2</b>	<b>393.2</b>	<b>+ 12.60%</b>

# Other Operating Income & Expenses

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- ▣ Other operating income decreased by 7.40% to RMB7.0m in 1H2008 due mainly to reduced store design and decoration income
  - ▣ Expected to reverse in 2H2008 as new stores come online
  
- ▣ Operating expenses increased 26.47% from RMB276.7m in 1H2007 to RMB349.9 m in 1H2008 due to investments in new capabilities for existing business, & development of new business
  - ▣ Distribution expenses increased by 28.39% from RMB233.6 m in 1H2007 to RMB299.9 m in 1H2008
  - ▣ Administrative expenses increased modestly by 8.88% from RMB21.9 m in 1H2007 to RMB23.8 m in 1H2008
  
- ▣ Income tax expense increased from RMB6.0 million in 1H2007 to RMB18.8 m 1H2008
  - ▣ Increase in income tax expense is in line with Management's expectations because of exceptional tax refund of 14.1 m in 1H2007





**Zhang Ziyi wearing  
Ports 1961 Fait  
Main**  
(featured in Harper's  
Bazaar September  
2008 'Bravo China'  
issue)

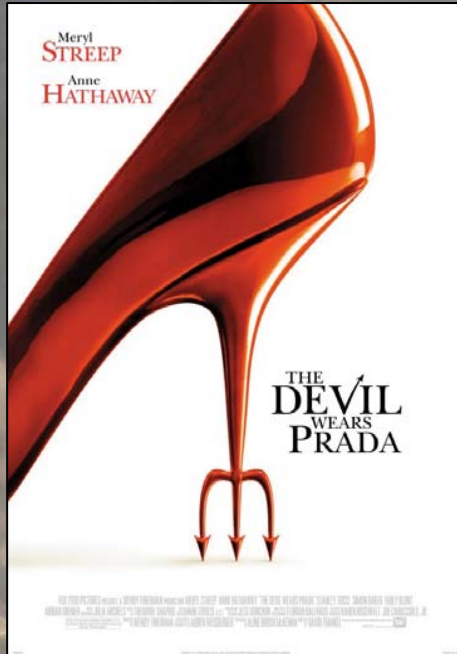


**Ivanka Trump  
wears Ports 1961 to  
the launch of the  
Trump International  
Hotel and Tower in  
Dubai (June 2008)**

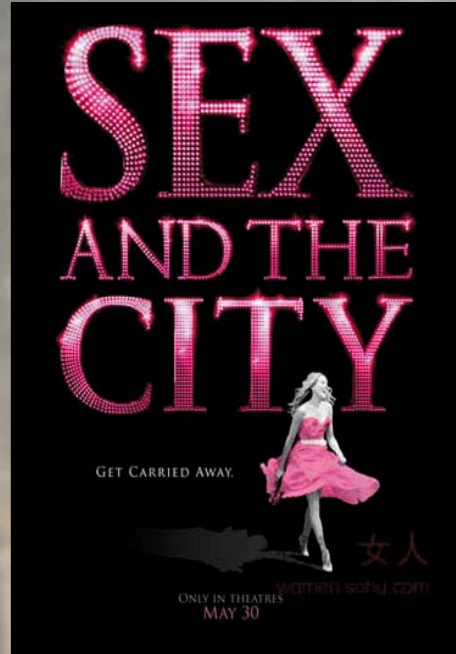


**Ports 1961's 'Great  
Wall' dress  
featured in Marie Claire,  
June 2008 edition**





*Ports 1961* was selected as a wardrobe partner for the 2006 blockbuster, 'The Devil Wears Prada'



Hit 2008 fashion movie 'Sex and the City' also featured actress Cynthia Nixon wearing **Ports 1961**



*Ports*, alongside Louis Vuitton and Givenchy, was one of the key features in 'Esquire Runway', China's first fashion movie

# Strategic Initiatives: Armani

- ☒ In March 2008, the Group signed a non-exclusive distribution agreement with Giorgio Armani S.p.A, to distribute Armani Collezioni, Emporio Armani and Armani Jeans products in the PRC
- ☒ Retail expansion of the Armani network in the PRC market, leverages on the Group's existing distribution platform, and is expected to deliver strategic mutual benefits
- ☒ This deal reflects the Group's recognition within the global fashion industry and track record in the luxury retail segment in the PRC
- ☒ Rollout of Armani distribution business within the PRC, expected to open 2 stores in FY2008





- ☒ In June 2008, the Group entered into a joint venture (“JV”) deal with the Vivienne Tam (“VT”) group . The Group owns 58% of the JV, which will distribute and market the Vivienne Tam brand within the PRC market
- ☒ The JV owns the IP rights, including the Vivienne Tam label, in the PRC (excluding Hong Kong, and Macau) in perpetuity
- ☒ VT merchandise will be targeted at a slightly different profile consumer within the broader luxury market segment that Ports operates in
- ☒ The deal, combined with the Group’s manufacturing, marketing and distribution capabilities, is expected to provide further operating leverage and economies of scale, enhancing future profitability of the Group





- ▣ Continue to move the brand further up-market
  - ▣ Continue with pricing strategy to increase AUSP by double digits
  - ▣ Continue to introduce increasingly more luxurious items
- Emphasize productivity growth at the store level
- Develop VT business (targeting 12 stores by end 1H 2009)
  - ▣ Monitor performance in initial start-up phase & refine product line / rollout strategy as needed
  - ▣ Match expenses with revenue so to minimize impact on net profit associated with the launch of the Vivienne Tam business
- Develop and expand the accessories business, including bags, fragrances and BMW watches
- Opportunistically expand brand portfolio and move towards a multi-brand platform model

# Contact Us

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