

Ports Design Limited

2005 Interim Results

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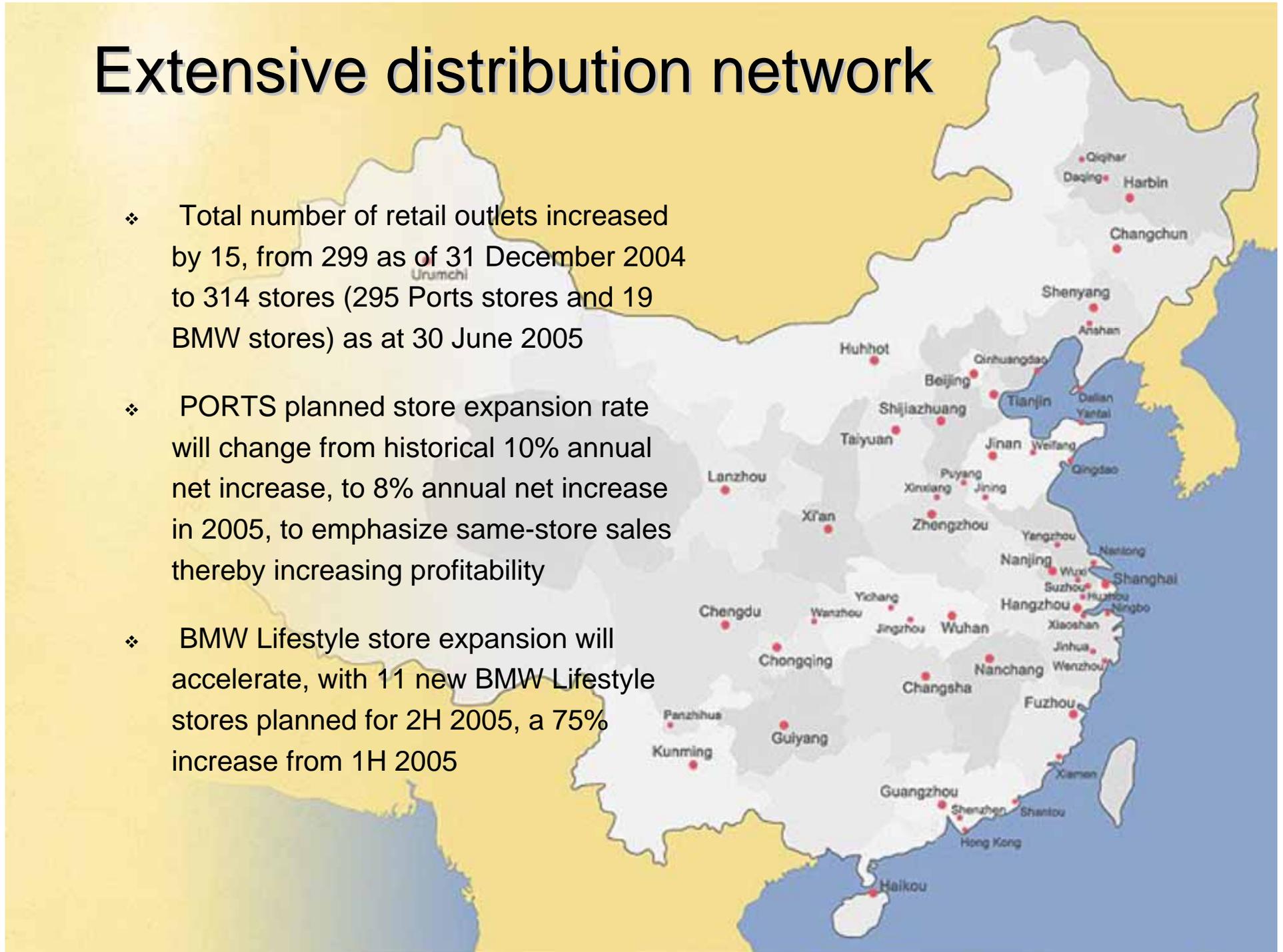


Strong 2005 first half

- ❖ Turnover increased 31.4% over the same period last year due to strong momentum in both Retail and BMW exports
- ❖ Net profit increased from RMB43.5 million to RMB 66.6 million, an increase of 53.1%
- ❖ Net profit margin improved to 17.4% in 1H 2005 compared to 14.9% in 1H 2004.
- ❖ Hong Kong PORTS stores recorded significant same store sales growth over the same period last year

Extensive distribution network

- ❖ Total number of retail outlets increased by 15, from 299 as of 31 December 2004 to 314 stores (295 Ports stores and 19 BMW stores) as at 30 June 2005
- ❖ PORTS planned store expansion rate will change from historical 10% annual net increase, to 8% annual net increase in 2005, to emphasize same-store sales thereby increasing profitability
- ❖ BMW Lifestyle store expansion will accelerate, with 11 new BMW Lifestyle stores planned for 2H 2005, a 75% increase from 1H 2005





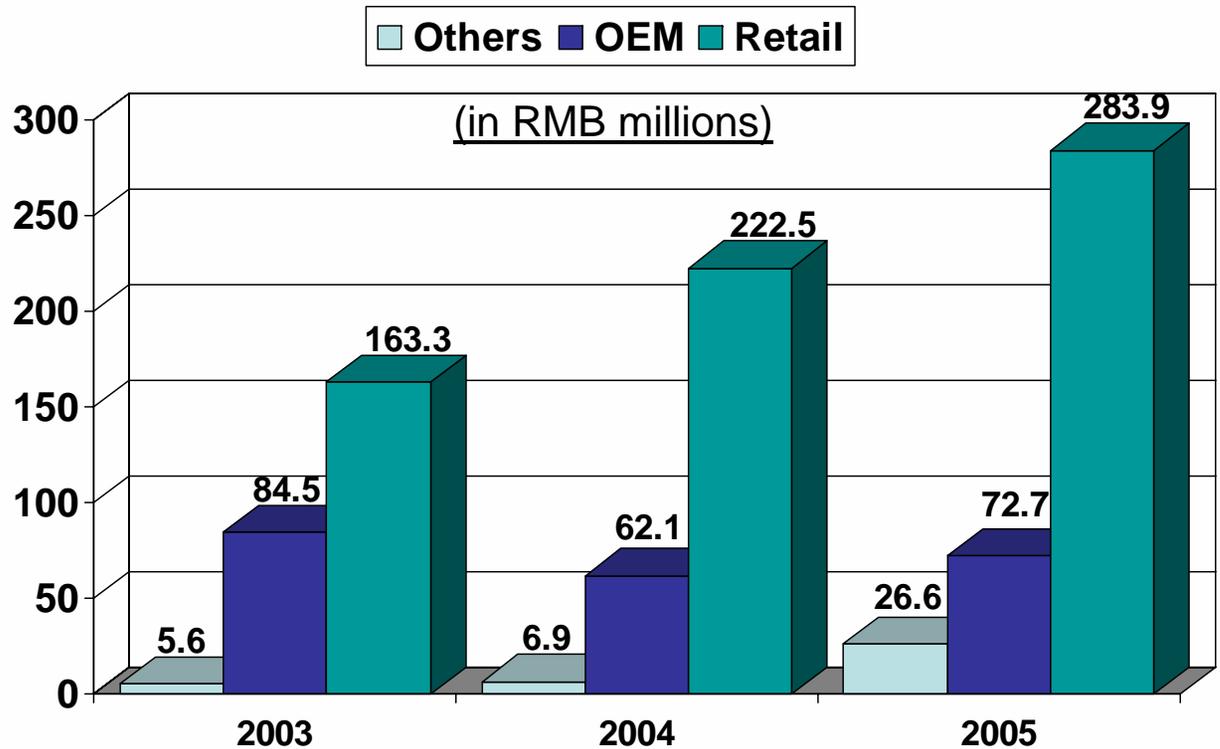
Turnover 1H 2005

- ❖ Turnover increased 31.4%, from RMB291.6 million in 1H 2004 to RMB383.2 million in 1H 2005. Turnover comprises;
 - **RETAIL** – includes PORTS and BMW Lifestyle stores in China, increased 27.6% over same period last year
 - **OEM** – Manufacture and export of private-label apparel for North American and European retailers, increased 17.0% over same period last year
 - **OTHER** – comprises PORTS wholesale but predominantly BMW Lifestyle exports to BMW AG, increased 285.5% over same period last year



Turnover 1H 2005 (cont'd)

- ❖ Supply of merchandise to retail stores was strained due to the significant increase in BMW Export orders and production capacity constraints. New production capacity coming on-stream in 2H 2005 will alleviate this problem in the future





Gross profit

- ❖ Improvement in gross margin in all three business segments led to overall gross profit increase of 34.3%, from RMB185.4 million in 1H 2004 to RMB249 million in 1H 2005
- ❖ Other segment gross profits grew by 453%, from RMB2.6 million in 1H 2004 to RMB14.4 million in 1H 2005 due to heavy demand for BMW Lifestyle merchandise worldwide
- ❖ OEM gross profit experienced strong growth, by setting minimum margin requirements on new orders

(in RMB Millions)	1H 2004	1H 2005	% Change
Retail	173.2	221.8	28.1%
OEM	9.6	12.8	33.3%
Other	2.6	14.4	453.8%
TOTAL	185.4	249.0	34.3%



Gross profit margin

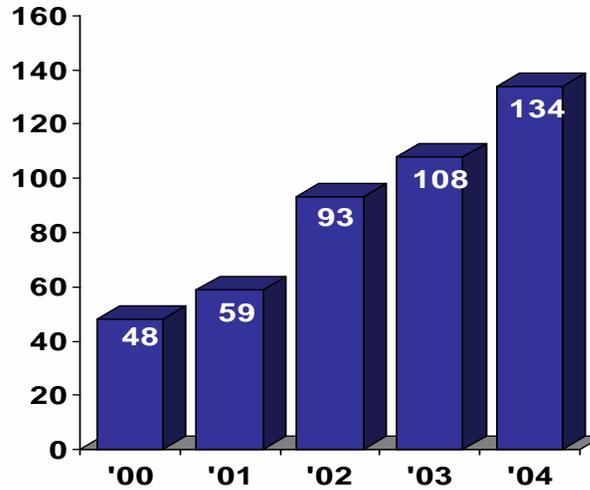
- ❖ Gross profit margins for all segments improved, but overall remained relatively constant due to a shift in business mix, the result of significant increases in exports of BMW Lifestyle products to BMW AG
- ❖ OEM gross profit margin improved by 2.1% by imposing minimum margin requirements on all new orders
- ❖ Other segment gross profit margin grew by 16.4% due to heavy demand for BMW Lifestyle merchandise worldwide, and the resulting benefits of larger production volumes

	1H 2004	1H 2005	Change
Retail	77.8%	78.1%	+ 0.3%
OEM	15.5%	17.6%	+ 2.1%
Other	37.7%	54.1%	+ 16.4%
OVERALL	64.9%	63.9%	+ 0.3%

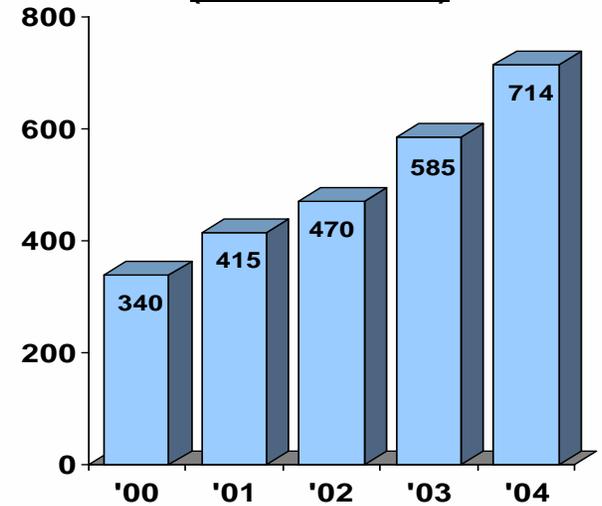


Consistent results

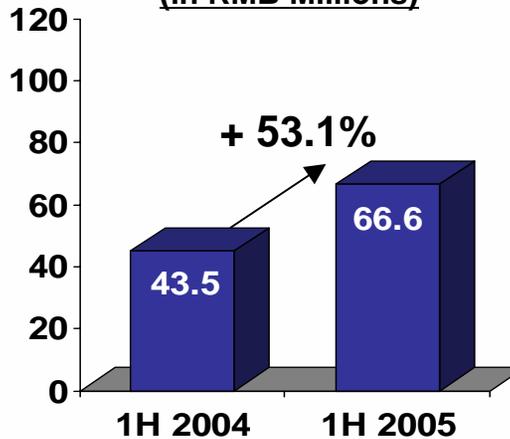
5-yr Net Profit
(in RMB Millions)



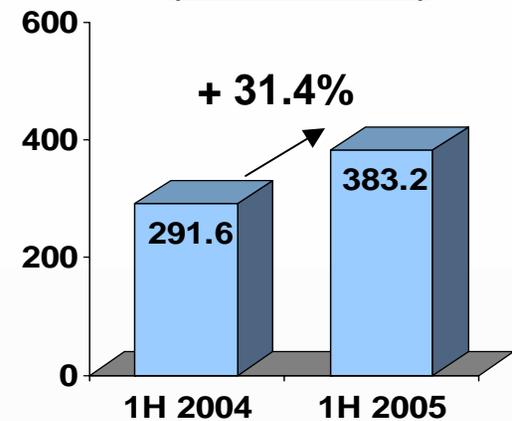
5-yr Turnover
(in RMB Millions)



Net Profit
(in RMB Millions)



Turnover
(in RMB Millions)



Operating costs

- ❖ Operating expenses remained relatively constant over the same period last year, at 47.8% of turnover as compared to 47.3% of turnover
- ❖ Transportation costs increased 167.4%, from RMB3.4 million in 1H2004 to RMB9.1 million in 1H2005, due to increased volume of business and increased fuel cost.
- ❖ Capital expenditures incurred from renovations to increase manufacturing and distribution capacity will be completed in October 2005, with new capacity expected to come on-line in November 2005
- ❖ Increased capital expenditures in 1H 2005 resulted in 54.5% increase in depreciation charge, to RMB13.2 million
- ❖ Future capital expenditures will decrease with doubling of the manufacturing facility in Xiamen, and tripling of the warehouse/distribution facility in Beijing in 2H 2005



Strong financial position

- ❖ Net cash inflows from operating activities were RMB49.2 million in 1H 2005 compared with RMB38.8 million for 1H 2004
- ❖ PORTS continues solid financial position with no bank borrowings and significant, un-utilized credit facilities
- ❖ Cash and cash equivalents of RMB346.9 million in 1H 2005 compared with RMB308.5 million in 1H 2004
- ❖ As a result of strong operating cashflow and cash reserves, interim dividend payment increased from RMB21.7 million in 1H 2004, to RMB40.7 million in 1H 2005, an increase of 87.5%
- ❖ Dividend payout ratio is expected to increase to more than 60% of earnings



Superior pricing power

- ❖ PORTS flagship stores now open in Shanghai, Beijing, and Chongqing, with new stores planned for the fall in Nanjing and Hangzhou
- ❖ PORTS brand further strengthened through increased investment into advertising and promotion, and through highly visible flagship stores
- ❖ Surveys by independent third parties continue to rank PORTS as one of the most popular brands in the PRC – a recent Sina.com survey ranks PORTS among the top 5 most desirable brands in China
- ❖ PORTS brand strength translates to pricing power – PORTS consistently increases average selling price by 2-3% above China's inflation rate

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PORTS retail outlook

- ❖ Continued improvement in the Chinese economy is expected to generate further improvement in retail sales
- ❖ Imposition of new customs duty and VAT for Chinese nationals importing goods greater than RMB5000 in value is expected to stimulate further spending on high-end retail within China
- ❖ Strong BMW export sales during 1H 2005 has strained merchandise supply to PORTS retail stores, but supply is expected to improve in 2H 2005
- ❖ Retail division grew in overall importance to PORTS, contributing 89.1% of the Group's gross profits and 74.1% of total turnover

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PORTS branding in 2005

- ❖ Launch at SAKS FIFTH AVENUE in New York, with personal appearance by PORTS sibling designers, Tia & Fiona Cibani
- ❖ Scheduled opening of PORTS 1961 boutique in December at Harvey Nichols in Dubai, UAE will further enhance PORTS international footprint
- ❖ Celebrities spotted wearing PORTS;



Pamela Anderson wearing PORTS trenchcoat at the opening of the NYSE



Kelly Preston wearing PORTS gown on the red carpet for the opening of her new film, "Sky High"



Molly Simms wearing PORTS gown to the Cartier event in New York

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BMW Lifestyle

- ❖ During the first 6 months of 2005, a BMW Lifestyle store recorded the highest sales in the Company's entire network for 2 consecutive months
- ❖ With addition of only 2 new stores, BMW Lifestyle retail sales in China doubled during the first half of 2005, compared with the same period last year. As a result, significant investment in new BMW Lifestyle stores is expected
- ❖ Ports renewed the exclusive agreement with BMW for an additional 3 years at the start of 2005
- ❖ Cooperation with BMW is expected to lead to expansion into new product categories

BMW Lifestyle

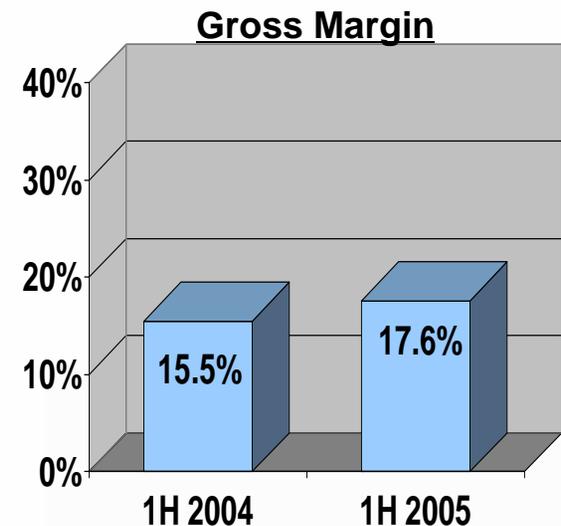
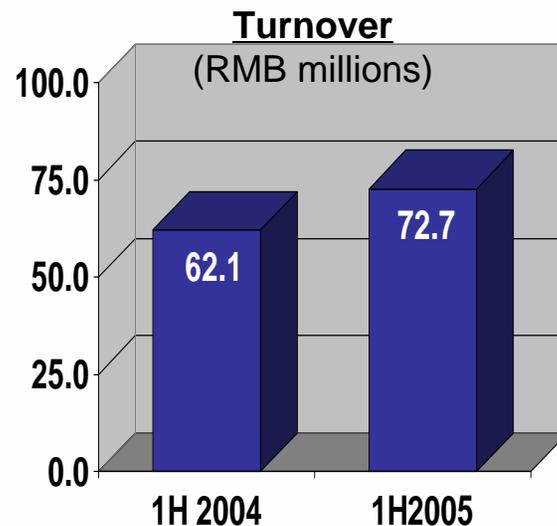


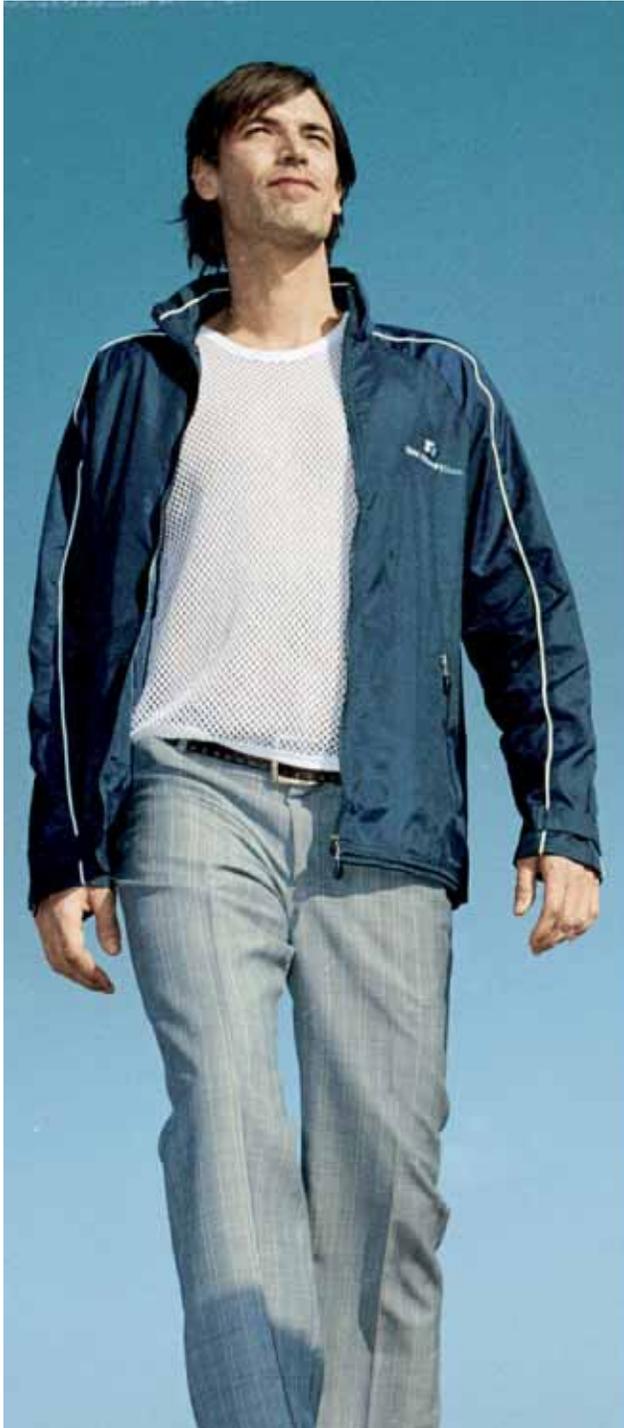
Sheer
Driving Pleasure



OEM – improving margins

- ❖ OEM turnover improved during 1H 2005, but the OEM segment declined as a percentage of total Group turnover, from 21.3% in 1H 2004 to 19.0% in 1H 2005
- ❖ Imposing minimum margin requirements on all new orders resulted in an improvement in gross margin from 15.4% in 1H 2004 to 17.6% in 1H 2005
- ❖ OEM segment operating results were improved during the first half of 2005, but are expected to be disrupted by uncertainties surrounding U.S. and E.E.C. quota situation





BMW Lifestyle exports

- ❖ “Other” segment comprises mainly of export of BMW Lifestyle apparel direct to BMW AG, and in turn to BMW dealers worldwide (BMW-ODM)
- ❖ “Other” segment turnover increased 285.5%, from RMB6.9 million in 1H 2004 to RMB26.6 million in 1H 2005
- ❖ Design and quality of BMW apparel is gaining worldwide acceptance
- ❖ BMW Lifestyle exports experienced very strong growth during the first half of 2005, but growth is expected to be disrupted in 2H 2005 due to uncertainties surrounding European import quotas

BMW Lifestyle



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1st half review

- ❖ Net profit increased 53.1% to RMB66.6 million in 1H 2005, and net profit margin improved from 14.9% in 1H 2004 to 17.4% in 1H 2005
- ❖ Earnings growth a result of strong performance in all three business segments, and the continued benefits from increasing economy of scale
- ❖ Exchange loss of RMB4.9 million in 1H 2005, (1H 2004:NIL) due to appreciation of RMB against Euro*
- ❖ Company's effective tax rate reduced in 1H 2005 due to tax refund from re-invested earnings

** Company expects to increase RMB holdings in cash reserves vs foreign currencies during 2H 2005*



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