

PORTS DESIGN LIMITED
(HK: 0589)

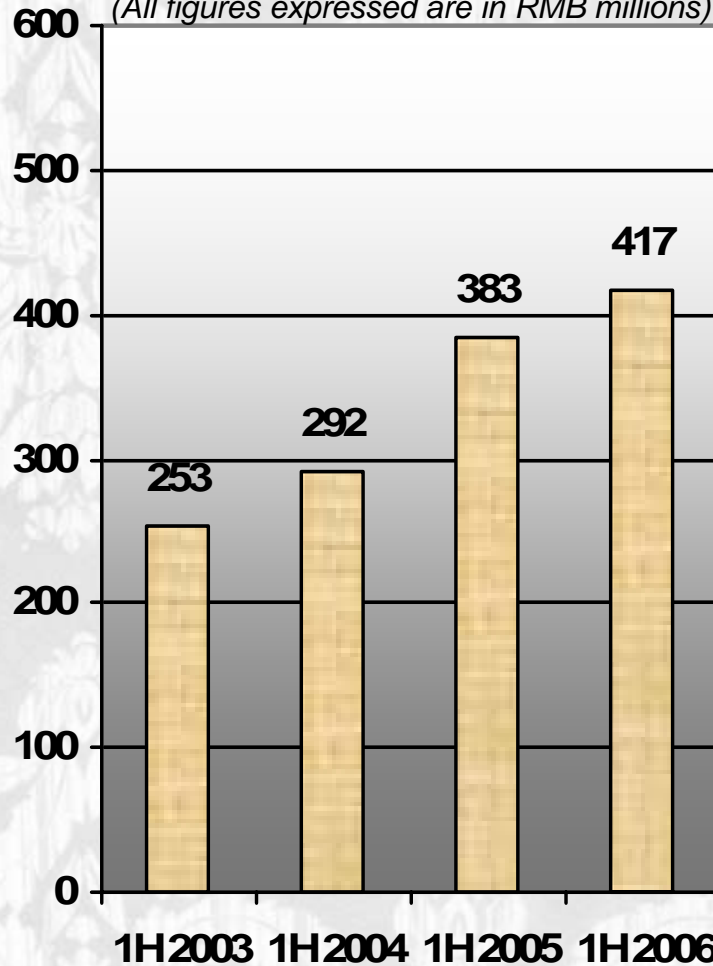
2006 Interim Results

- ☒ **Turnover** for the Group increased from RMB383.2 million in 1H 2005 to RMB417.1 million in 1H 2006, representing an increase of 8.85% (Turnover is comprised of three segments: Retail, OEM, and Other)
- ☒ **Gross Profit** for the Group increased from RMB249.0 million in 1H 2005 to RMB310.4 million in 1H 2006, representing an increase of 24.66%. **Gross profit margin** also increased from 64.98% in 1H 2005 to 74.42% in 1H 2006
- ☒ **Profit from operations** increased from RMB70.6 million in 1H 2005 to RMB105.3 million in 1H 2006, representing an increase of 49.19%. **Operating margin** (i.e. profit from operations expressed as a percentage of turnover), increased from 18.41% in 1H 2005 to 25.24% in 1H 2006.
- ☒ **Net Profit** for the Group increased from 66.6 million in 1H 2005 to RMB100.8 million in 1H 2006, representing an increase of 51.35%. **Net profit margin** also improved from 17.38% in 1H 2005 to 24.18% in 1H 2006
- ☒ **Dividend payout** increased from RMB40.7 million in 1H 2005 to RMB60.2 million in 1H 2006, representing an increase of 47.70%

- ▣ Gross profit margin increased from 64.98% in 1H 2005 to 74.42% in 1H 2006, due mainly to the contribution made by the retail segment
- ▣ Greater economies of scale contributed to an increase in net profit margin from 17.38% in 1H 2005 to 24.18% in 1H 2006
- ▣ The Company had cash and cash equivalents and fixed deposits with banks of RMB330.8 million (31 December 2005: RMB346.7 million), and no bank borrowings as of 30 June 2006
- ▣ Exchange loss of RMB1.1 million in 1H 2006 vs. RMB 4.9 million in 1H 2005, due to a decrease in foreign currency holdings and an increase in RMB holdings
- ▣ Retail segment continued to increase in terms of importance to the group, contributing over 87.24% of the total Company turnover in 1H 2006 vs. 74.09% in 1H 2005
- ▣ Sales from NYC showroom to buyers in Asia region are attributed to Hong Kong listed company (Ports Design Limited) - shipments to Japanese boutique and Harvey Nichols in Dubai have begun in 1H 2006

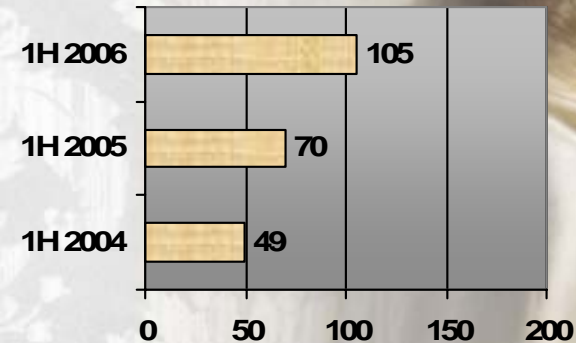
Total Group turnover

(All figures expressed are in RMB millions)

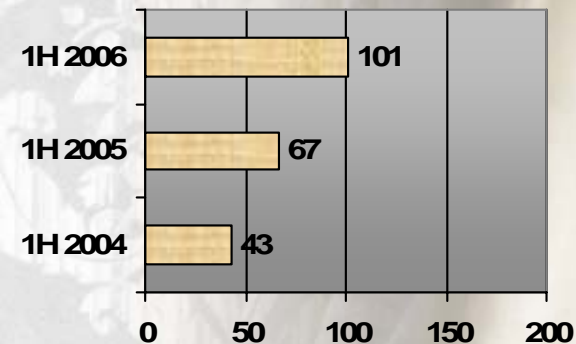


*The figure illustrates an interim dividend of RMB0.11 per share, totaling RMB60.2 million declared for the period ended 30 June 2006.

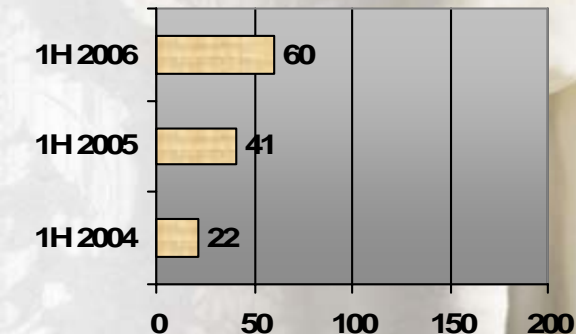
Profit from operations



Profit attributable to shareholders



Dividend history*



Retail

- Retail Turnover increased by 28.18% over 1H 2005 to RMB363.9 million
- Retail Gross Margin improved from 78.13% to 81.67%
- Retail Gross Profit increased by 33.99% to RMB297.2 million

OEM*

- OEM Turnover decreased by 44.84% to RMB40.1 million
- OEM Gross Profit margin increased from 17.61% in 1H 2005 to 19.20% in 1H 2006
- OEM Gross Profit decreased by 39.84% to RMB7.7 million

Other (“ODM”)*

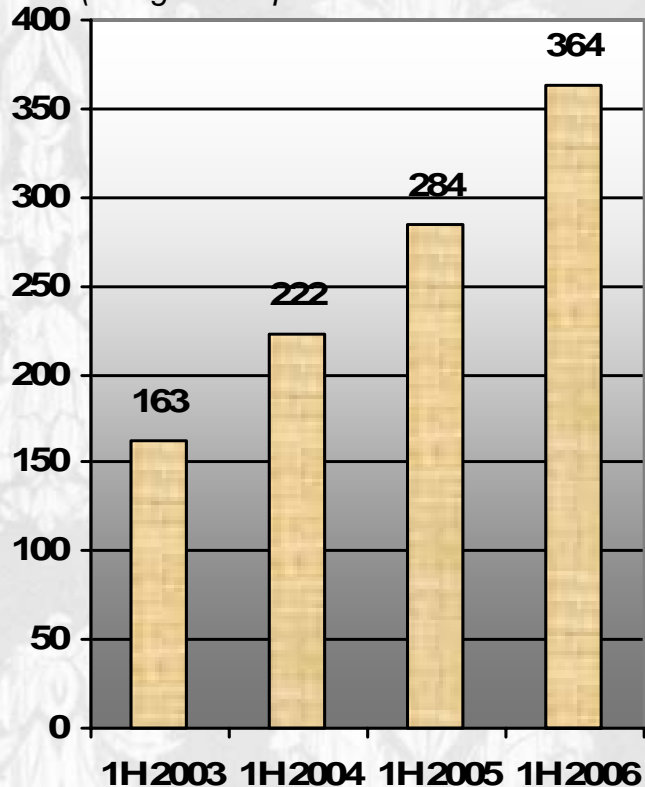
- ODM segment turnover decreased by 50.75% to RMB13.1 million due to residual effects of safeguard quotas
- ODM segment gross profit margin decreased from 54.14% in 1H 2005 to 41.98% in 1H 2006
- ODM segment gross profit decreased by 61.81% to RMB5.5 million

** BMW LIFESTYLE and OEM exports suffered residual negative effects of 2005 safeguard quotas imposed by the USA and EEC governments, which effectively reduced the shipping season for the export of BMW LIFESTYLE products to BMW AG and OEM export orders to the USA to 3 months instead of the usual 6 months*

- ☒ Retail Turnover in 1H 2006 was RMB363.9 million, compared with RMB283.9 million for 1H 2005, representing an increase of 28.18% over the same period last year
- ☒ The retail segment accounted for 95.76% of the Group's total gross profit in 1H 2006, up from 89.07% in 1H 2005
- ☒ There were 297 *PORTS* retail locations at the end of 1H 2006, compared with 298 stores at the end of December 2005, representing a net decrease of one store during 1H2006 - Expect net increase of 20 new *PORTS* stores in 2H 2006
- ☒ One additional *PORTS* flagship retail location was opened in Xi'an during 1H 2006
- ☒ The *BMW LIFESTYLE* retail store network saw a net increase of 5 new stores amounting to 32 stores at the end of 1H 2006, as compared to 27 stores at the end of 1H 2005, representing an increase of 18.5% - expect additional 4 *BMW Lifestyle* stores to be opened in 2H 2006
- ☒ Retail store performance remains strong, with 1H 2006 same-store sales ("SSS") increase of 30% over 1H 2005
- ☒ Average selling price ("ASP") in 1H 2006 increased 7% over 1H 2005, with increases continuing into July and August 2006

Retail turnover

(All figures expressed are in RMB millions)



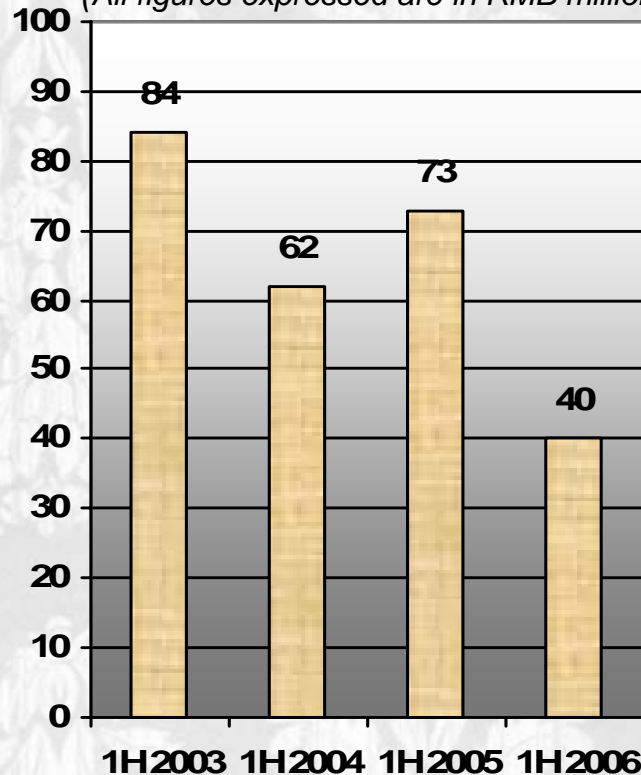
- ▣ Retail turnover continues strong upward trend during July and August 2006
- ▣ Equivalent performance and margins from both *PORTS* and *BMW LIFESTYLE* retail concepts
- ▣ PORTS 1961 voted in the top 5 most desirable fashion brands in China along with Chanel, Gucci, Dior and Armani in a survey conducted by Sina.com on 7 August 2005
- ▣ Increasing economies of scale continue to improve Retail segment performance

(RMB millions)

	<u>1H 2005</u>	<u>1H 2006</u>	<u>% Change</u>
Turnover	283.9	363.9	+ 28.18%
Gross Profit	221.8	297.2	+ 33.99%
Gross Profit Margin	78.13%	81.67%	+ 3.54%

OEM turnover

(All figures expressed are in RMB millions)



- ☒ OEM segment represents approximately 9.61% of group turnover, and 2.48% of group gross profit
- ☒ USA Safeguard quotas had a residual negative impact on orders to the USA
- ☒ Increased business to Canada, where quotas were not an issue, lessening the impact of USA safeguard quotas
- ☒ Expect significant increases in 2H 2006 vs. 2H 2005

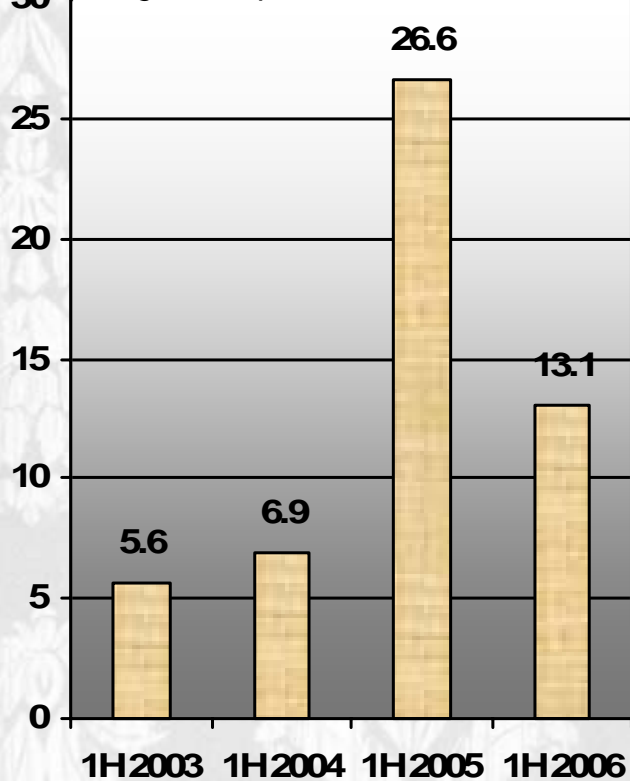
(RMB millions)

	<u>1H 2005</u>	<u>1H 2006</u>	<u>% Change</u>
Turnover	72.7	40.1	(44.84)%
Gross Profit	12.8	7.7	(39.84)%
Gross Profit Margin	17.61%	19.20%	+ 1.59%

- ☒ ODM Segment includes turnover from;
 - *BMW LIFESTYLE* exports
 - Wholesale of *PORTS* apparel
 - Corporate Gifts
- ☒ ODM segment accounted for 3.15% of total Group turnover, and 1.77% of total gross profit during 1H 2006
- ☒ 1H 2006 saw 50.75% decrease in BMW exports over 1H 2005, as the residual effects of safeguard quotas imposed by EU continued to disrupt turnover during 1H 2006 – Expect a return to normal during 2H 2006
- ☒ BMW Export orders have resumed in January 2006 with shipments to USA and Europe resuming in March and April 2006

ODM turnover

(All figures expressed are in RMB millions)



- ▣ Significant increase expected in 2H 2006 compared to 2H 2005
- ▣ Wholesale orders to Asian region generated by NYC sales office and attributed to Ports Design Limited began in limited quantities in 1H 2006
- ▣ Exports to BMW AG have resumed in 1H 2006 after the removal of safeguard quotas

(RMB millions)	<u>1H 2005</u>	<u>1H 2006</u>	<u>% Change</u>
Turnover	26.6	13.1	(50.75)%
Gross Profit	14.4	5.5	(61.81)%
Gross Profit Margin	54.14%	41.98%	(12.16)%

- ☐ Continued strong advertising program with advertising expenses increasing by 12.80% over 1H 2005 to RMB14.1 million 1H 2006, representing 3.87% of retail turnover
- ☐ Ports was invited by Patricia Fields (also wardrobe director for “Sex and the City”) to sponsor the 20th Century Fox Movie, “The Devil Wears Prada,” starring Anne Hathaway and Meryl Streep
- ☐ Reese Witherspoon, Celine Dion, Renee Zellweger, Nicole Kidman and Kirstie Alley have all been seen wearing PORTS 1961
- ☐ PORTS presence in exclusive boutiques like Fred Segal and Curve in L.A. will further increase exposure of PORTS 1961 to Hollywood stars



- ☒ **“The Canadian luxury label PORTS 1961 takes its inspiration from the worn-in look of a global traveler”**
– *TIME Style & Design, The Luxury Index The best Products, People and Places of 2005*
- ☒ **“WORLD CLASS”**
– *2-page Cover story on Ports 1961 by Bernadette Morra, fashion editor of Toronto Star, 5 January 2006*
- ☒ **“You want to look hip, hot, cool, comfortable, edgy, interesting -- and age-appropriate -- all at once.”**
– *Fashion TV’s Jeanne Beker commenting on Ports 1961 dress she wore to the 2006 Much Music Video awards*
- ☒ **“think Prada – but hotta!”**
– *“Starry Nights”, a 2-page report on Ports 1961 by Amoryn Engel, National Post, 6 May 2006*
- ☒ **“fully-fashioned pieces that evoke craftsmanship indicative of pure luxury”**
– *Tom Julian reporting on Ports 1961 Spring 2006 collection, Fashion Wire Daily, 9 September 2006, New York, NY www.fashionwiredaily.com*
- ☒ **“the collection combines exquisite craftsmanship with a modern, ‘jetrossexual’ style that is the very definition of global chic.”**
– *Vivre.com Profiles report on Ports 1961 Fall 2006 collection*

- ☐ Management increasing inventory levels in anticipation of strong retail growth, increased exports to BMW, and additional new store openings in 2H 2006
- ☐ Value of inventory at 30 June 2006 was RMB307.9 million, compared with RMB254.3 million at 31 December 2005, an increase of 21.1%
- ☐ Increase in inventory mainly in Raw Materials and Work in progress, as shown here;

	<u>At 30 June 2006</u>	<u>At 31 December 2005</u>	<u>% Variance</u>
Raw Materials	88,062,814	69,842,374	26.09%
Work in progress	31,709,969	21,683,430	46.24%
Finished Goods	187,544,479	160,600,846	16.78%
Goods in transit	592,943	2,189,720	-72.92%
TOTAL	307,910,205	254,316,370	21.07%

- ☐ Acceleration of product show sales and opening of factory outlet malls throughout China are expected to gradually increase the rate of disposition of aged inventory

Other operating income and expenses

- ▣ Other operating income increased 65.59% to RMB7.8 million in 1H 2006, due mainly to increased charges to concessionaires and royalty payments from sunglass licensee
- ▣ Operating expenses increased from RMB183.2 million in 1H 2005 to RMB213.0 million in 1H 2006, an increase of 16.27%
- ▣ Rental expenses increasing in-line with turnover, as most retail stores are concessions in department stores, which pay rent as a percentage of turnover
- ▣ Salaries and benefits attributable to the retail segment increased from RMB27.8 million in 1H 2005 to RMB30.3 million in 1H 2006, an increase of 9.0%
- ▣ Other operating costs increased at a lesser rate than the increase in turnover
- ▣ Effective tax rate rose from 2.88% of profit before tax in 1H 2005 to 6.25% of profit before tax in 1H 2006, mainly due to the reduction of the income tax rebate as a percentage of total income earned.

Main factors contributing to future growth;

- Growing popularity of the brand globally enhancing brand strength in Asia
- Increasing benefits of economies of scale
- Over 40 years experience in the fashion industry
- Celebrity endorsements and editorial coverage reinforces the Company's fashion brand image
- Beautifully-designed flagship retail stores further enhance brand image
- Strengthening brand leads to continuous ASP increase and gross margin expansion
- PRC cost base and benefits of economies of scale continue to further improve net margin – reaching 24.18% in 1H 2006
- Above trends expected to continue in 2H 2006 and beyond