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Ports Design Limited  
2007 Annual Results



# 2007 Overview

- ☒ Turnover increased 28.50% over 2006 to RMB1.355 billion in 2007
- ☒ Retail segment remained a key contributor to the total Group turnover, increasing contribution to overall Group turnover from 79.56% in 2006 to 79.75% in FY2007
- ☒ Gross profit increased 32.03% over FY2006 to RMB968.6 million in 2007, and gross profit margin increased from 69.54% in FY2006 to 71.47% in FY2007
- ☒ Profit from operations increased 34.14% over FY2006 to RMB375.6 million, and operating margin increased from 26.54% in FY2006 to 27.71% in FY2007, mainly due to the increased overall contribution from high-margin retail segment

## 2007 Overview (cont'd)

- Net profit increased 56.25% over 2006 to RMB396.9 million, and net profit margin increased from 24.08% in 2006 to 29.28% in 2007. Earnings per share increased from RMB0.46 in 2006 to RMB0.72 in 2007, an increase of 56.52%
- The Group continues to enjoy a strong financial position, with approximately RMB526.2 million in cash and cash equivalents and time deposits (2006: RMB412.7 million), and a gearing ratio of 18.23% as of 31 December 2007
- Dividends declared for FY07 increased by 238.30% , from RMB153.5 million in 2006 to RMB519.3 million in 2007
- The Group benefited from government incentives, resulting in a refund on income tax paid in FY2006 & FY2007 and a 50% reduction of the applicable income tax rate for FY2008, FY2009, and FY2010

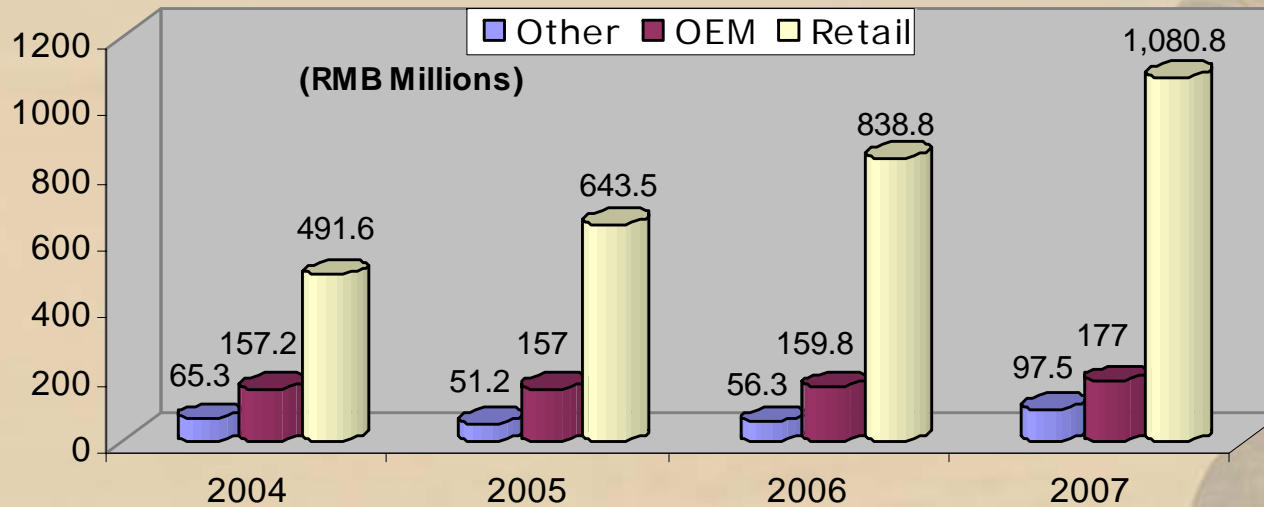
## 2007 Overview (cont'd)

- ☑ At year end 2007, there were 325 Ports stores, and 35 BMW Lifestyle stores, giving a total of 360 retail stores, compared with 357 stores as at year end 2006
- ☑ During 2007, the Company opened 75 new stores, and closed 72 older generation stores located in secondary retail locations, so as to maintain PORTS's position as an upmarket high-end brand
- ☑ Brand building efforts are paying dividends in the form of pricing power, with retail margins improved to 82.08% in 2007, compared to 80.89% for 2006. Margins are expected to continue to improve in 2008
- ☑ The Company's store count is expected to resume growth in 2008 and beyond, at a controlled pace, as the majority of obsolete stores have now been closed

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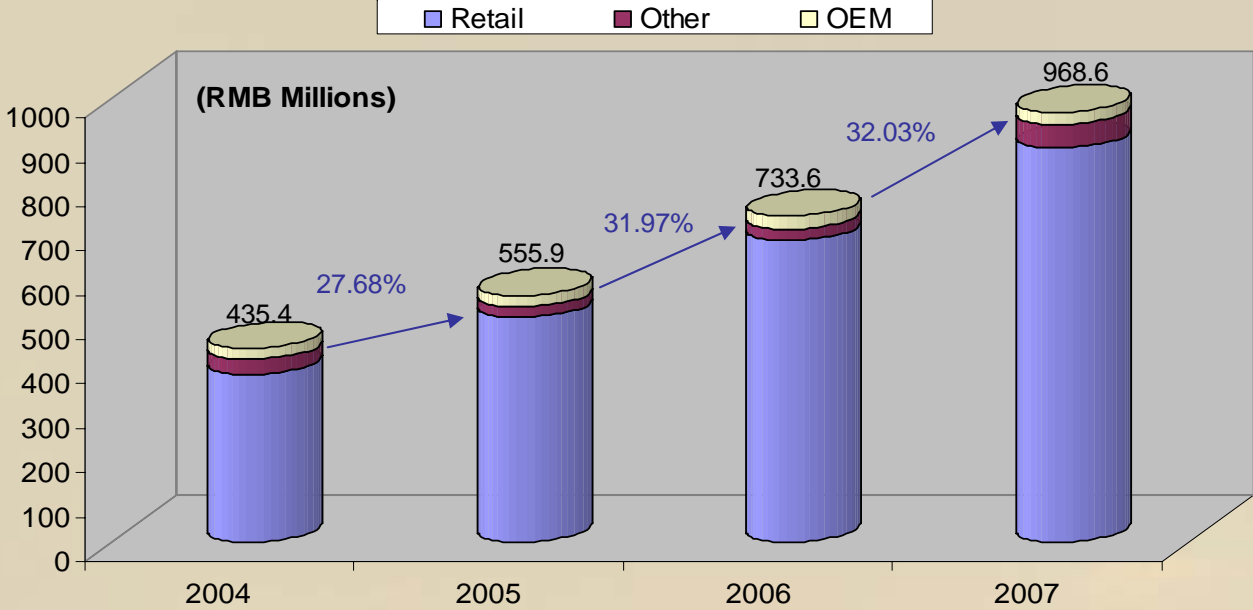


# Turnover



Turnover growth	2004	2005	2006	2007
	22.15%	19.27%	23.86%	28.47%
Segment turnover as % of overall turnover				
Other	9.14%	6.01%	5.34%	7.19%
OEM	22.02%	18.43%	15.15%	13.06%
Retail	68.84%	75.56%	79.51%	79.75%

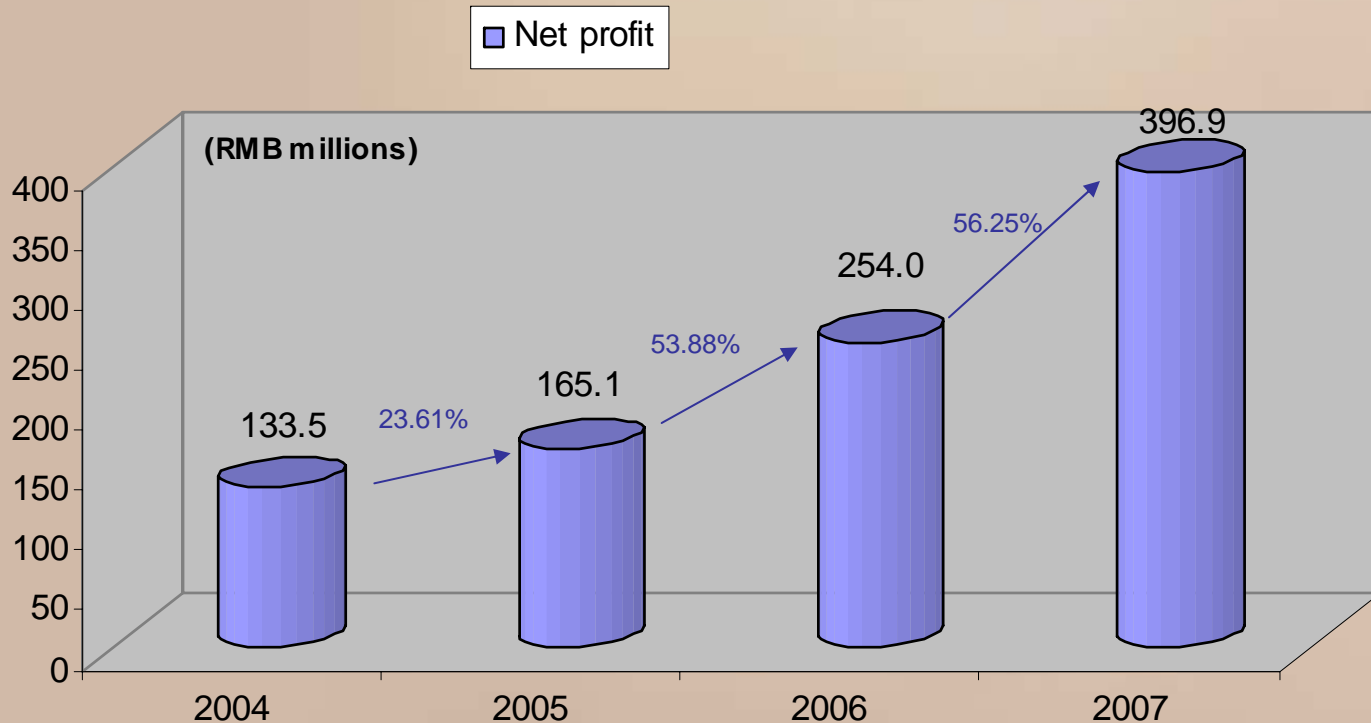
# Gross Profit



Gross profit margin	2004	2005	2006	2007
Other	49.67%	46.71%	46.70%	55.53%
OEM	16.30%	17.20%	18.01%	15.44%
Retail	76.90%	78.46%	80.89%	82.08%
Combined	60.97%	65.27%	69.54%	71.47%



# Net Profit



	2004	2005	2006	2007
<b>Net profit margin</b>	18.70%	19.38%	24.08%	29.28%
<b>Earnings per share</b>	RMB0.25	RMB0.30	RMB0.46	RMB0.72

# Balance Sheet

- ▣ The Company continued to be in strong financial condition and maintained a strong cash in-flow from operations
- ▣ Net cash (cash, and term deposits less bank borrowings) amounted to RMB278 million at year end 2007, vs. RMB412 million in 2006, despite a record cash dividend payment of RMB462 million in FY2007 vs. RMB120 million in FY2006
- ▣ Inventory at year end 2007 is RMB349 million, vs. RMB330 million in 2006, an increase of 5.75%
- ▣ Inventory turnover days declined from 374 days in FY2006 to 329 days in FY2007



# Retail Segment

- ▣ The Group's retail segment, operating PORTS and BMW Lifestyle stores in the PRC and Hong Kong, experienced strong turnover growth in FY2007
- ▣ Total retail turnover increased 28.85% over FY2006 to RMB1.081 billion in FY2007
- ▣ In FY2007, retail experienced strong growth, same-store-sales growth increased approximately 27% over FY2006 due to strong brand appeal
- ▣ Vogue China's "2007 Readership Survey" ranked Ports as the 2<sup>nd</sup> most desirable luxury brand (up from 3<sup>rd</sup> place in 2006) according to Chinese women, just behind Chanel. A report published in February '08 by *MasterCard Worldwide* named BMW as China's most desirable car brand

# Retail Segment (cont'd)

- ▣ In FY2007, ASP increased by approximately 16% for both PORTS and BMW Lifestyle, reflecting the growing strength of both brands in the minds of Chinese consumers, and the Group's efforts to further enhance the brands' positioning as more upmarket
- ▣ The high-margin retail segment continues to increase in terms of importance to the Group, contributing 79.75% of total Group turnover and 91.59% of the Group's gross profit
- ▣ The growing contribution of the higher-margin retail business, is accelerating the growth of the Group's operating margins
- ▣ Trend improvement has continued into 1<sup>st</sup> quarter of 2008

# OEM & Other Segments

## OEM

- ▣ OEM turnover increased by 10.74% to RMB177.0 million
- ▣ OEM gross profit margin decreased from 18.01% in FY2006 to 15.44% in FY2007
- ▣ OEM gross profit decreased by 5.09% to RMB27.3 million in FY2007

## Other ("ODM")

- ▣ ODM segment turnover increased significantly by 73.09% to RMB97.5 million due to a growth in global demand for BMW Lifestyle and Ports 1961 products
- ▣ ODM segment gross profit margin increased substantially from 46.70% in 2006 to 55.53% in 2007 due mainly to the strong euro.
- ▣ ODM segment gross profit increased by 105.84% to RMB54.1 million

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# Other Income & Expenses

- ▣ Strong royalty income from Ports sunglasses licensee, amounting to RMB4.7 million in FY2007 vs. RMB3.4 million in FY2006, representing an increase of 35.10%
- ▣ Slight decrease in decoration income of RMB5.5 million in FY2007 vs. RMB5.8 million in FY2006, due to the controlled pace of new store openings
- ▣ Exchange loss of RMB3.6 million is offset by higher interest income, due to higher cash deposits in FY2007, and a higher rate of interest earned on the cash accumulated by the Company in 2007
- ▣ Significant increase in salary expense of RMB10 million due mainly to revaluation of the cost of the employee stock option plan



# Industry Recognition

- ☒ The list of Hollywood celebrities supporting, and seen wearing Ports 1961 at public events continued to grow in 2007, including Bryan Adams, Sarah Michelle Gellar, Reese Witherspoon, and Ivanka Trump amongst others
- ☒ Ports received critical acclaim at Mercedes Fashion Week in New York in September 2007 with the '*Safiri*' collection, celebrating the women and styles of the African continent
- ☒ Forbes Asia voted Ports Design Limited as one of the 200 best managed and fastest-growing midsize companies in its "Best under a Billion" list, published in October 2007



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# 2008 and Beyond

- ☑ With strong retail sales growth, (same store-sales-growth of approximately 36% during 1Q 2008,) improving retail margin, and increasing benefits of economies of scale, management expects continued improvement in operating results
- ☑ BMW license renewal includes new high margin products such as sunglasses, watches, and leather accessories
- ☑ New agreement reached with Giorgio Armani SpA to distribute their products in the PRC market
- ☑ Continued expansion of PORTS's product lines to include non-apparel branded items such as handbags, leather accessories, and luggage
- ☑ Opening of high profile flagship stores further enhances brand image both internationally and domestically
- ☑ New manufacturing facility expected to be online in early 2009, with temporary capacity arranged locally in the interim to serve the growing need of the Company

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