

PORTS DESIGN LIMITED

(HK: 0589)

2005 Annual Results

Poised for Growth



- **Turnover** for the Group increased from RMB714.1 million in 2004 to RMB851.7 million in 2005, representing an increase of 19.27% (Turnover is comprised of three segments: Retail, OEM, and Other)
- **Gross Profit** for the Group increased from RMB435.4 million in 2004 to RMB555.9 million in 2005, representing an increase of 27.68%. **Gross profit margin** also increased from 60.97% in 2004 to 65.27% in 2005
- **Profit from operations** increased from RMB142.5 million in 2004 to RMB186.0 million in 2005, representing an increase of 30.45%. **Operating margin** (i.e. profit from operations expressed as a percentage of turnover), increased from 19.96% in 2004 to 21.83% in 2005.
- **Net Profit** for the Group increased from 133.5 million in 2004 to RMB165.1 million in 2005, representing an increase of 23.61%. **Net profit margin** also improved from 18.70% in 2004 to 19.38% in 2005
- **Dividend payout** increased from RMB69.2 million in 2004 to RMB100.6 million* in 2005, representing an increase of 45.30%

**2005 Dividend subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting of a final dividend of RMB0.11 per share, totaling RMB59.896 million*



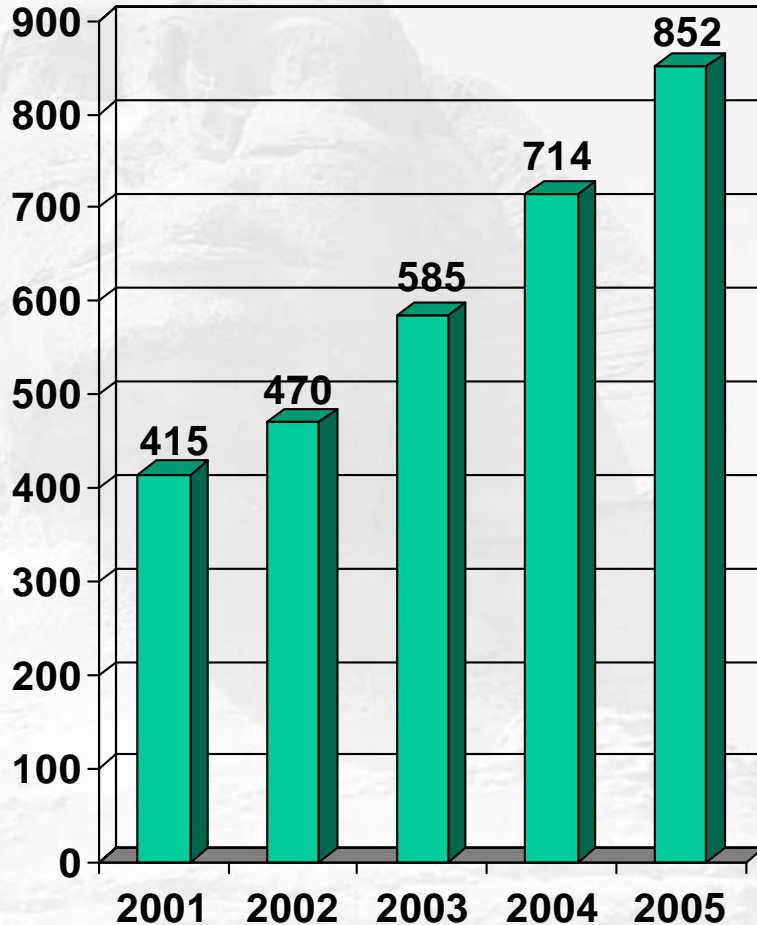
- Gross profit margin increased by 4.3% over 2004 to 65.27% in 2005, due mainly to the contribution made by the retail segment
- Greater economies of scale increased net profit margin by 0.68% over 2004 to 19.38% in 2005
- The Company had cash and cash equivalents of RMB346.7 million, and no bank borrowings as of 31 December 2005
- Exchange loss of RMB10.2 million in 2005 is a reporting loss only, as the Company continues to hold proceeds from the IPO in US dollars, and continues to receive payment from BMW AG mainly in Euros
- Retail segment continued to increase in terms of importance to the group, contributing over 75.56% of the total Company turnover in 2005
- Investment of approximately RMB75 million during 2005 to increase production and distribution capacity by approximately 2x and 3x, respectively
- Increased international exposure via high-profile New York City showroom and strong international media coverage
- Sales at NYC showroom to buyers in Asia region will be attributed to Hong Kong listed company (Ports Design Limited)



5-year Group performance

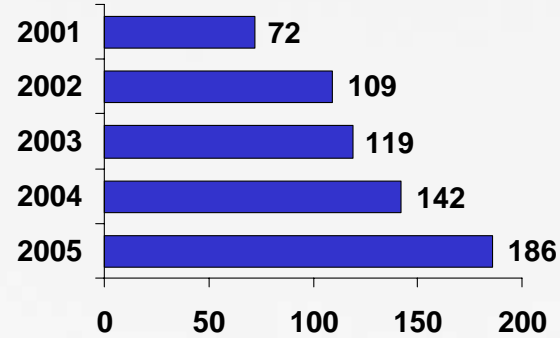
(All figures expressed are in RMB millions)

Total Group turnover

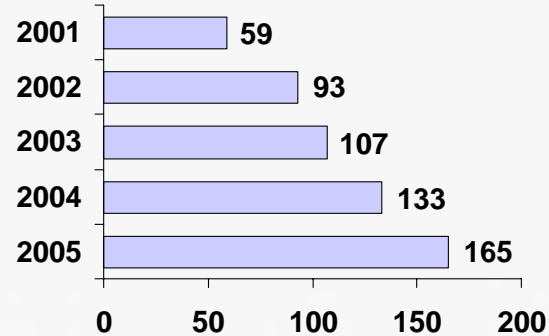


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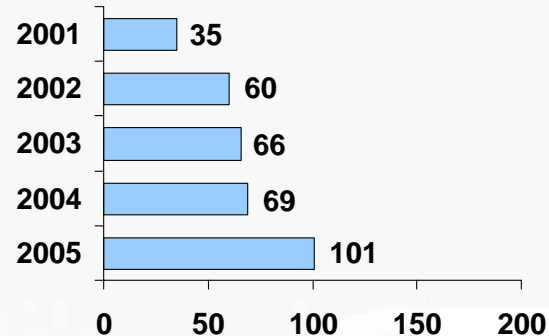
Profit from operations



Profit attributable to shareholders



Dividend history*



Retail

- Retail Turnover increased by 33.6% over 2H 2004 to RMB359.5 million
- Retail Gross Margin improved from 75.85% to 78.67%
- Retail Gross Profit increased by 38.56% to RMB282.8 million

OEM*

- OEM Turnover decreased by 11.4% to RMB84.3 million
- OEM Gross Profit margin virtually unchanged at 16.8%
- OEM Gross Profit decreased by 11.5% to RMB14.2 million, mainly the result of increased quota and shipping charges

Other (“ODM”)*

- ODM segment turnover decreased by 56.6% to RMB25.3 million due mainly to the imposition of safeguard quotas
- ODM segment gross profit margin decreased from 51.0% in 2H 2004 to 37.7% in 2H 2005, mainly the result of increased quota and shipping charges
- ODM segment gross profit decreased by 67.9% to RMB9.5 million

* **BMW LIFESTYLE** and OEM exports were seriously affected during the second half of 2005 as a result of safeguard quotas imposed by the USA and EEC governments in December 2005, which affected the export of **BMW LIFESTYLE** products to BMW AG and OEM export orders to the USA



- Retail Turnover in 2005 was RMB643.5 million, compared with RMB491.6 million for 2004, representing an increase of 30.90% over the same period last year
- The retail segment accounted for 90.88% of the Group's total gross profit in 2005, up from 86.67% in 2004
- There were 298 *PORTS* retail locations at the end of 2005, compared with 282 stores at the end of 2004, representing a rate of net new store openings of 6%.
- Two additional *PORTS* flagship retail locations were opened during 2005, on Euro Street in Hangzhou, and at 18 Bund in Shanghai.
- The *BMW LIFESTYLE* retail store network saw a net increase of 10 new stores in 2005, with 27 stores at the end of 2005, as compared to 17 stores at the end of 2004, representing an increase of 58.82%
- Retail store performance remains strong, with 2005 same-store sales ("SSS") increase of 25.1% over 2004
- Average selling price ("ASP") in 2005 increased 7% over 2004, with increases continuing into 1Q 2006
- Rate of growth accelerated in 1Q 2006, with same-store sales increase of approximately 29.7% * vs. 1Q 2005

*As at 27 March 2006

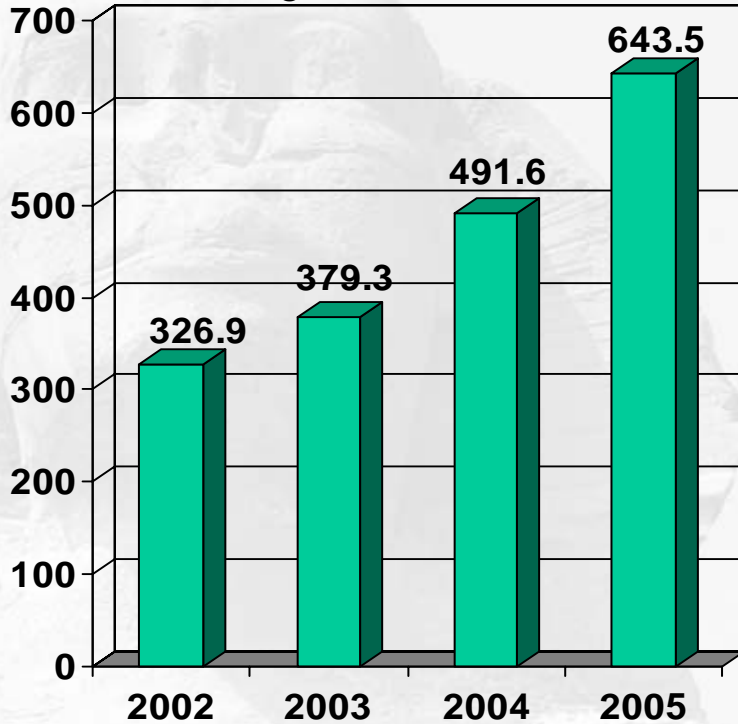


Retail Turnover

(All figures expressed are in RMB millions)



Retail segment turnover

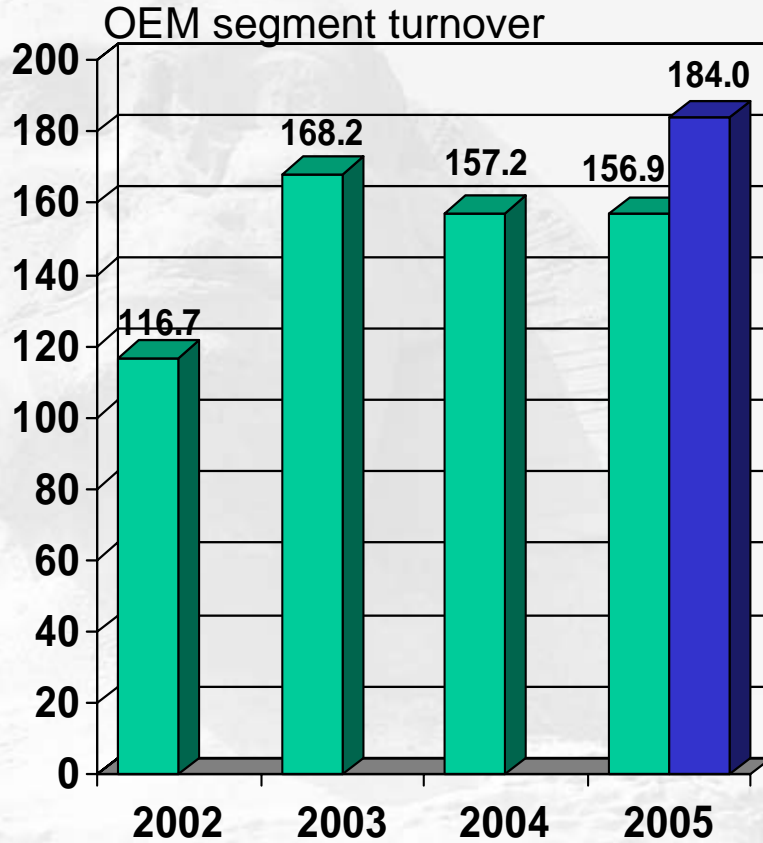


- Turnover growth driven by;
 - ASP Increase (7% in 2005)
 - New store increase (6% in 2005)
 - Higher unit sales
- Equivalent performance and margins from both *PORTS* and *BMW LIFESTYLE* retail concepts
- 30.90% turnover growth from 2004 to 2005
- Built on the goodwill of millions of consumers
- Increasing economies of scale continue to improve Retail segment performance

(RMB millions)	<u>2004</u>	<u>2005</u>	<u>% Change</u>
Turnover	491.6	643.5	+ 30.90%
Gross Profit	378.1	504.9	+ 33.50%
Gross Profit Margin	76.90	78.46	+ 1.56%

OEM Segment

(All figures expressed are in RMB millions)



Actual Projected*

*Projected figures assume turnover without impact of safeguard quotas during 2H 2005

- OEM segment represents approximately 18.43% of group turnover, and 4.86% of group gross profit
- USA Safeguard quotas had a negative impact on orders to the USA
- Increased business to Canada, where quotas were not an issue, lessening the impact of USA safeguard quotas



(All figures expressed are in RMB millions)

- Highly competitive business means lower gross profit margin than Retail segment
- Higher service levels than normal OEM companies results in gradual increase in gross profit margin
- The increase in gross profit margin is partly the result of the controls imposed by the Group in refusing orders with unacceptable gross profit margin

(RMB millions)	<u>2004</u>	<u>2005</u>	<u>% Change</u>
Turnover	157.2	156.9	- 0.18%
Gross Profit	25.6	27.0	+ 5.47%
Gross Profit Margin	16.30%	17.20%	+ 0.9%

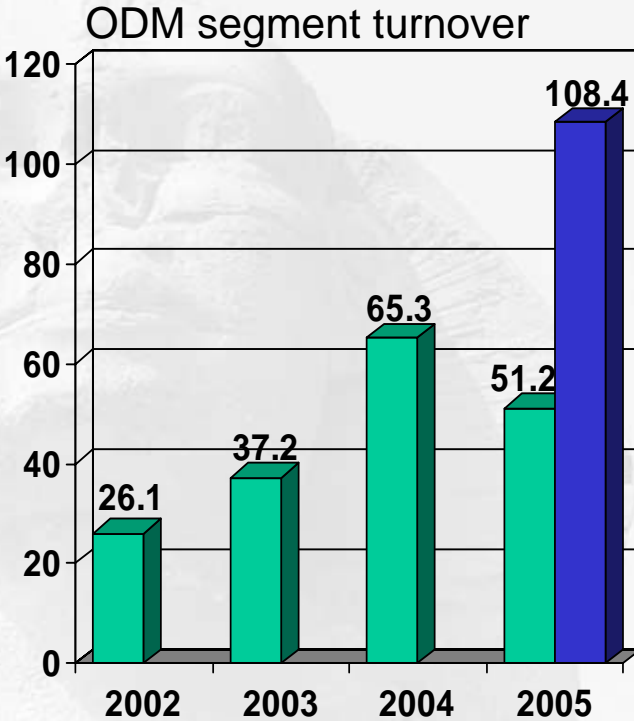


- ODM Segment includes turnover from;
 - *BMW LIFESTYLE* exports
 - Wholesale of *PORTS* apparel
 - Corporate Gifts
- ODM segment accounted for 6.01% of total Group turnover
- 1H 2005 saw 285% increase in *BMW* exports over 1H 2004, but safeguard quotas imposed by EU disrupted turnover during 2H 2005
- Production was shifted to higher cost countries to fulfill pending orders, resulting in higher manufacturing, quota and shipping costs and therefore negatively impacting profit margins
- *BMW* Export orders have resumed in 1Q 2006 and are expected to continue without further disruptions due to quota restraints
- Wholesale of *PORTS* apparel to high-end department stores in other Asian countries expected to contribute to turnover while associating *PORTS* brand with high-end retail in those targeted markets



Other (“ODM”) Segment

(All figures expressed are in RMB millions)



Actual Projected*

*Projected figures assume turnover growth of 40% during 2H 2005 to compensate for impact of safeguard quotas

- Significant market potential for BMW Export with network of 3200 BMW dealerships worldwide – only currently shipping to approximately 250 dealerships
- Wholesale orders to Asia & Australia region generated by NYC sales office will be attributed to this Hong Kong listed company (Ports Design Limited)
- Exports to BMW AG have resumed in 1Q 2006

(RMB millions)	<u>2004</u>	<u>2005</u>	<u>% Change</u>
Turnover	65.3	51.2	- 21.53%
Gross Profit	32.4	23.7	- 26.87%
Gross Profit Margin	49.67%	45.68%	- 3.99%



*(All figures expressed
are in RMB millions)*

	<u>2004</u> <i>(Actual)</i>	<u>2005</u> <i>(Actual)</i>	<u>2005</u> <i>(Projected)*</i>
Retail Segment			
-Turnover	491.6	643.5	643.5
-Gross Profit	378.1	504.9	504.9
OEM Segment			
-Turnover	157.2	156.9	184.0
-Gross Profit	25.6	27.0	31.6
ODM Segment			
-Turnover	65.3	51.2	108.4
-Gross Profit	32.4	23.7	53.8
Total			
-Turnover	714.1	851.6	935.9
-Gross Profit	436.1	555.6	590.3

- Impact of safeguard quotas reduced gross profit by approximately RMB34.7 million
- Impact of safeguard quotas on net profit is approximately RMB30.0 million

**Projected figures illustrate normal growth without impact of safeguard quotas in 2H 2005*



- Advertising budget remained constant in 2005 at 4.25% of retail turnover, but increases as turnover increases
- Continued prominent magazine advertising campaign in China, and highly visible billboard advertising (e.g.. Airports and MTR)
- Strong advertising campaign with support from Saks, New York Times, Harper's Bazaar, NBC and Vanity Fair has led to widespread coverage in the USA
- Celebrity endorsements continue to increase now including; Reese Witherspoon (2006 Academy Award winner), Nicole Kidman, Celine Dion, Molly Simms, Kelly Preston, Pamela Anderson
- A strong promotional and advertising campaign matched with favorable reviews by fashion critics creates interest from international buyers



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

Right: PORTS 1961 was given glowing reviews from magazines such as Women's Wear Daily (WWD)-a fashion authority-for shows during NYC fashion week



- Management believes China's retail market will rival that of the USA in 7 to 10 years, with increasing levels of household income and increased consumer spending
- *PORTS* is uniquely poised to benefit from this growth in the PRC consumer market due to the strength of its retail brand, and efficiency of its operations
- Growing volume and increasing economies of scale are expected to continue to enhance *PORTS* net profit margin and shareholder value in years to come
- NYC showroom sales to high-end boutiques and department stores in USA, Europe, and Asia enhances brand perception and generates risk-free sales to other Asian markets for the listed company (Ports Design Limited)
- International buyers visiting *PORTS* showroom during New York Fashion Week included (among others); Selfridges (UK), Bergdorf Goodman (USA) Harvey Nichols (UAE), Takashimaya (Japan), Nordstrom (USA), Neiman Marcus (USA), Bloomingdale's (USA) and Marshall Field's (USA)
- NYC showroom will play a major role in promotion of *PORTS* fashion and influence around the world

