

2. YEAR IN REVIEW FOR 2004

- PORTS DESIGN LIMITED (“PORTS” or the “Company”) continued the trend of strong top and bottom line growth. Revenue increased 22% from RMB585 million in the year ended 31 December 2003 (the “2003 Financial Year” or “FY2003”) to RMB714 million in the year ended 31 December 2004 (the “2004 Financial Year” or “FY2004”). The Company’s profit attributable to shareholders increased from 108 million in FY2003 to RMB137 million in FY2004, an increase of 27%. The Company’s net profit margin also improved from 18% in FY2003 to 19% in FY2004.
- PORTS DESIGN LIMITED continued its retail store expansion program during the year ended FY2004 having 282 PORTS retail locations as at 31 December 2004. The company also opened 2 PORTS flagship retail locations in Xintiandi, Shanghai and Oriental Plaza in Beijing. The Company’s third flagship store is due to open shortly at Bund 18 in Shanghai.
- PORTS DESIGN LIMITED ended the year in a strong financial position with a current ratio of 4.9 given its current assets of RMB718 million (of which cash and time deposits exceeded RMB375 million) and current liabilities of RMB146 million (with no bank borrowings).
- PORTS DESIGN LIMITED executed a four-for-one share subdivision in November 2004 to improve share liquidity. Although liquidity improved slightly as a result of the share subdivision, further efforts to improve liquidity will continue to be pursued by the Company in the upcoming year.
- BMW LIFESTYLE broke even in the second half of FY2004. As at 31 December 2004, the Company had 17 BMW Lifestyle stores in the PRC. Exports to BMW AG to supply BMW dealers worldwide experienced significant growth, increasing from RMB12 million in FY2003 to RMB 36 million in FY2004, an increase of approximately 208%. The Directors consider that the BMW Lifestyle retail concept is now proven in the PRC market and on this basis, management intends to accelerate growth of the distribution network in 2005. Management also feels that there is significant growth potential in the export of BMW Lifestyle products and expects growth in this business to continue in 2005.