

CHAIRMAN'S STATEMENT

Financial and operating performance for PORTS DESIGN LIMITED (“PORTS” or the “Company”) and its subsidiaries (the “Group”) was robust during the first half of 2005. Turnover for the Company increased from RMB291.6 million (US\$35.2 million) for the six months ended 30 June 2004 to RMB383.2 million (US\$46.3 million) for the six months ended 30 June 2005, an increase of 31.41%. Profit from ordinary activities before taxation increased from RMB50.5 million (US\$6.1 million) for the six months ended 30 June 2004 to RMB68.6 million (US\$8.3 million) for the six months ended 30 June 2005, an increase of 35.84%, while profit attributable to shareholders increased from RMB43.5 million (US\$5.3 million) to RMB66.6 million (US\$8.0 million), an increase of 53.10%. The Company’s balance sheet remained strong, and the Company was in a net cash position as at 30 June 2005. A decrease in the valuation of the Euro against the RMB negatively impacted cash reserves, and after investment into production and distribution facilities, cash plus cash equivalents and time deposits reduced from RMB375.1 million (US\$45.3 million) as at 31 December 2004 to RMB346.9 million (US\$41.9 million) as at 30 June 2005. This reduction was also caused by the final dividend payment of RMB47.5 million (US\$5.74 million) for year 2004, which was paid during the first half of year 2005. In short, the Company continued to build on its strong financial position in the first half of 2005.

Highlights for the Period Ended 30 June 2005

PORTS retail operations continued to perform strongly in the first half of 2005. Management is pleased to announce several high profile developments in the first half of 2005, which will help further strengthen the PORTS brand: First, the high profile launch of the Company’s two flagship stores in Shanghai Xintiandi and Bund 18 received significant press coverage from the fashion media throughout China, and delivered a strong image for PORTS retail stores. Second, the introduction of PORTS clothing at Saks Fifth Avenue locations in New York and San Francisco, and the planned opening of a PORTS boutique at Harvey Nichols in Dubai scheduled for the second half of 2005, will help to augment the high-end international profile of the PORTS label. Lastly, the increasing number of Hollywood celebrities, such as Kelly Preston, Nicole Kidman, and Molly Simms, seen wearing PORTS apparel, serves as a strong endorsement of the Company’s product and the PORTS brand. The Company expects that these and other brand-building initiatives will further enhance the desirability and strength of the PORTS brand in the minds of Chinese consumers.

The Company’s retail segment, which operates the PORTS and the Bayerische Motoren Werke AG (“BMW”) branded line of merchandise (“BMW Lifestyle”) stores in China and in Hong Kong, achieved record turnover and profitability during the first half of 2005. Retail turnover increased from RMB222.5 million (US\$26.9 million) in the first half of 2004 to RMB284.0 million (US\$34.3 million) in the first half of 2005, an increase of 27.64%. Similarly, the retail division’s gross profit contribution increased from RMB173.6 million (US\$21.0 million) in the first half of 2004 to RMB221.8 million (US\$26.8 million) in the first half of 2005, an increase of 28.06%. The retail division’s strong performance was driven by an increase in unit volume sold as well as management’s decision at the start of the Spring/Summer 2005 season to raise average unit selling price for the collection. The retail division’s strong growth was seen in all regions of China in which the Company operates. The Company’s store location management program, which oversees the opening of new stores as well as the closure of older stores, continued at a normal pace, with a net increase of 15 PORTS and BMW Lifestyle stores compared with 31 December 2004, for a total of 295 PORTS stores and 19 BMW Lifestyle stores at 30 June 2005.

Management was also pleased to note the apparent acceptance of the BMW Lifestyle concept, indicated by strong demand for BMW Lifestyle merchandise. Turnover from the Company’s “Other” segment, which consists mainly of exports to BMW in Germany, increased from RMB6.9 million (US\$0.8 million) in the first half of 2004 to RMB26.6 million (US\$3.2 million) in the first half of 2005, an increase of 285.51%. Overall, the Company’s relationship with BMW continues to strengthen with the 3 year Master License Agreement renewed on January 1st of 2005. The strong

increase of BMW Lifestyle exports in the first half of 2005 placed a strain on the Company's production facility, however, increasing production capacity utilization to 100%. This increase had a negative impact on the production of PORTS branded merchandise, as production capacity for PORTS apparel was re-directed to fulfill the BMW Lifestyle orders. Similar production problems will be avoided in the future however, with the increased capacity from the Company's production facility expansion coming on-stream in the second half of 2005.

A Look Forward to Second Half of 2005

The Company is cautiously optimistic about its business prospects for the second half of 2005. The positive trend in the retail business in the first half of 2005 continued into July and August 2005. The PORTS brand also appears to be gaining positive acceptance with Hong Kong consumers, as sales in existing stores in the first half of 2005 for the Company's PORTS retail locations in Hong Kong increased significantly over the same period last year. The Company's expansion of its production and distribution facilities will be completed in the second half of 2005, slowing the current rate of capital expenditure and enabling the Company to meet the increasing demand for PORTS and BMW Lifestyle apparel in the years to come.

The BMW Lifestyle retail business in China has continued its remarkable growth in the first half of 2005 and is now contributing to the Company's earnings. The Company renewed the 3-year exclusive license to manufacture and market BMW Lifestyle apparel products in the PRC with BMW AG at the start of 2005, and is currently in discussions with BMW AG regarding the expansion of additional product categories under the existing licensing agreement, a testament to the Company's knowledge of the retail industry in China and quality of execution. The Company expects the BMW Lifestyle business to continue its strong growth as BMW Lifestyle products continue to increase their penetration into the BMW global dealer network and new BMW Lifestyle stand-alone stores opening worldwide. Considering this continued success, the Company plans to open 11 new BMW Lifestyle retail stores in China in the second half of 2005. Furthermore, profitability for the BMW Lifestyle business is expected to increase as the business enjoys the benefits of increasing economy of scale. Unfortunately, the export of BMW Lifestyle apparel may be disrupted in the second half of 2005 due to uncertainties surrounding the introduction of safeguard quotas by the U.S. and European Governments. In any event, given the increasing acceptance of BMW Lifestyle products by PRC consumers, management feels comfortable accelerating the opening of new BMW Lifestyle stores in the Chinese market.

Interim Dividend

Given the Company's continued performance, strong cash flow, and positive business outlook, the Board of Directors has decided to increase the declared dividend payout ratio from not less than 40% of profit attributable to shareholders, as stated in the Company's prospectus dated 21 October 2003, to approximately 60% of profit attributable to shareholders beginning in the first half of 2005.

Edward Tan Han Kiat

Chairman



31st August 2005

Xiamen, China