



PORTS DESIGN LIMITED

(Stock code: 0589)

INTERIM REPORT 2007





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FINANCIAL HIGHLIGHTS

(Financial figures are expressed in Renminbi ("RMB") million)

	<i>For the six months ended 30th June</i>		<i>For the year ended 31 December</i>				
	2007	2006	2006	2005	2004	2003	2002
Results							
Turnover	578	417	1055	852	714	585	470
Profit from operations	145	105	280	186	142	119	109
Profit attributable to shareholders	143	101	254	165	133	107	93
Assets and liabilities							
Non-current assets	182	161	172	154	104	86	77
Current assets	1053	785	968	758	718	607	282
Current liabilities	249	136	226	152	146	100	155
Net current assets	804	649	742	606	572	507	127
Total assets less current liabilities	986	810	914	760	677	593	204
Non-current liabilities	-	-	-	-	-	-	-
Shareholders' Equity	986	810	914	760	677	593	204

**Turnover
(RMB millions)**

For the year
ended 31 December

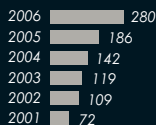


For the six months
ended 30 June

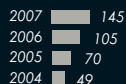


**Profit from Operations
(RMB millions)**

For the year
ended 31 December

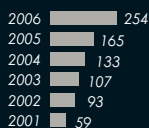


For the six months
ended 30 June

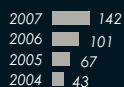


**Profit Attributable to
Shareholders
(RMB millions)**

For the year
ended 31 December

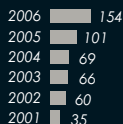


For the six months
ended 30 June

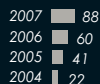


**Dividend History
(RMB millions)**

For the year
ended 31 December



For the six months
ended 30 June



* Note: The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated. The figure also illustrates an interim dividend of RMB0.16 per share, totalling RMB88.6 million declared for the period ended 30 June 2007.



ABOUT PORTS

PORTS DESIGN LIMITED ("PORTS" or the "Company") and its subsidiaries (together with the Company, the "Group") is a vertically integrated international fashion and luxury goods company with its own design, manufacturing, marketing, distribution and retail capabilities. It is primarily engaged in the design, manufacture and retail distribution of ladies' and men's fashion garments and the sale of accessories such as shoes, handbags, scarves and fragrances in China and Hong Kong, under the PORTS brand name. The Group currently focuses most of its business activities on the PRC market and is one of the leading international fashion companies in China with over 300 retail outlets. The Group also holds the rights to wholesale and retail PORTS products to boutiques and department stores in Asia and Australia.

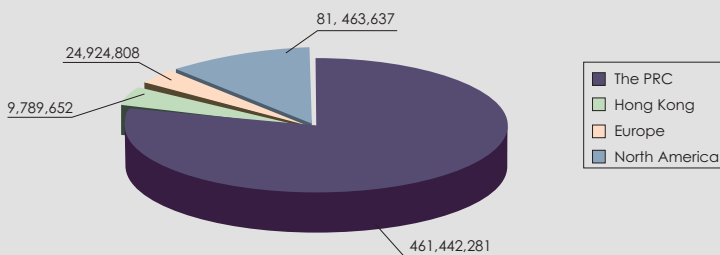
The Group markets and sells its PORTS branded products in the PRC through concessions in major department stores, retail stores located in shopping centres, and stand-alone flagship retail stores. These retail outlets are located in over 50 cities in China, including, among others, Beijing, Shanghai, Chongqing, Shenzhen, Wuhan, Xi'an and Dalian. As at 30 June 2007, the Group also operated seven retail outlets in Hong Kong, located in the shopping arcade of The Peninsula hotel, Seibu Department Store in Pacific Place, One Hysan Avenue, The Landmark in Central and Sogo Department Store Causeway Bay.

The Group also sells BMW Lifestyle products in dedicated retail outlets operated by the Group in the PRC. The Group has entered into a licensing arrangement with Bayerische Motoren Werke AG ("BMW") whereby BMW has granted the Group the right to use the BMW trade-mark and BMW logo on BMW Lifestyle products that are manufactured by the Group. All non-apparel products sold in BMW Lifestyle retail outlets are sourced from BMW. The licence is for a term of three years ending on 31st December, 2007 but is subject to renewal with mutual consent. The right to market BMW Lifestyle products in China, other than in BMW car dealer showrooms, is exclusive to the Group during the term of the licence. As at 30 June 2007, the Group operated 38 BMW Lifestyle retail outlets selling BMW Lifestyle products, which include ladies' and men's clothing and accessories.

In addition to its retail operations, the Group also has an OEM business which exports merchandise to major retailers in North America and Europe. As part of its OEM business, the Group provides design input if requested by the customer, sources and purchases the raw materials and coordinates the shipment of finished goods to the customer. Currently, the manufacturing of almost all OEM merchandise is outsourced. OEM products are branded under different brands as requested by OEM customers.

The Group separates the above businesses into three segments: "Retail", which comprises the PORTS and BMW Lifestyle retail business, "OEM", which comprises exports to North America and Europe, and the "ODM" or "Other" segment, which comprises mainly exports of BMW Lifestyle goods to North America and Europe, as well as the wholesaling of PORTS goods.

Turnover by region:



CHAIRMAN'S STATEMENT

The first half of 2007 marked a return to normality for PORTS and its subsidiaries (the "Group"). Turnover for the Group reached RMB577.6 million during the first half of 2007 ("1H2007"), a 38.49% increase over the first half of 2006 ("1H2006"), with net profits reaching RMB142.8 million, a 41.62% increase over 1H2006. The retail segment continued to dominate the Group's overall turnover, contributing over 81.58% to the Group's turnover and recording 29.50% growth in 1H2007 over 1H2006. The export-driven OEM and ODM segments also recorded strong turnover growth in 1H2007 as compared to 1H2006, having recorded a full 6 months of turnover as opposed to 1H2006, when the lingering effects of European and United States safeguard quotas reduced the selling season for both segments by half. The OEM and ODM segments recorded 77.30% and 169.05% growth in 1H2007 over 1H2006, respectively. The resumption of normal business in the OEM and ODM segments, which have a lower gross profit margin than the retail segment, resulted in a lower gross profit margin for the Group as a whole, 74.42% in 1H2006 to 71.62% in 1H2007. The directors believe that the gross profit margin in 1H2007 is more representative of normal business, as there were no major disruptions to exports, and retail sales recorded a more reasonable rate of growth.

The strong retail turnover growth experienced during 2006 continued into the first quarter of 2007, mainly attributable to the later occurrence of Chinese New Year as compared to 2006. Volatile temperature and weather patterns however, disrupted traffic to retail stores in the second quarter and affected same-store sales. Continued cold weather during April resulted in a delay in the customers' purchase of spring merchandise. The late spring also brought unusually heavy and sustained rainfall to the southern provinces, which generally affected store traffic. Overall however, the retail operation posted healthy results during 1H2007, with a 29.50% increase in turnover to RMB 471.2 million, and same-store sales growth that is superior to the average in the retail industry. We plan to continue expansion of our Ports retail store network, with an increase in the store count of approximately 7% per year and we expect to be on-track for 2007. We have also successfully launched a new BMW Lifestyle concept, using a far more avant-garde store and apparel design. For the remainder of the year, the Group will be closely monitoring the performance and customer behaviour at the new concept store and if proven successful, will begin to replicate and roll-out stores using this new design concept at an increased rate starting in 2008.

The directors are pleased with the return of normal business to the Group's export-driven OEM and ODM segments. Recovering from the 2005/2006 safeguard quotas, both segments have resumed normal shipments and have added new customers. In particular, Ports has been selected by a leading European-based couture/fashion label to begin production of its high-quality European-designed apparel. In the interests of maintaining high quality standards and putting our production team to the most stringent test, management has temporarily allocated a limited amount of production resources from the Group's manufacturing facility in order to complete orders for this new customer. The current manufacturing facility is however, operating close to maximum capacity and as a result, a small quantity of Ports-branded apparel products, which are normally produced in-house, was outsourced during 1H2007. This had a marginal impact on the Group's retail gross margins, but management feels that the benefit outweighs the temporary negative impact on retail gross margin and is acceptable. Sales of BMW Lifestyle apparel to dealerships in North America and Europe continues to show sustained growth. Turnover from the ODM segment increased over 169.05% in 1H2007 over 1H2006, reflecting the increasing brand recognition and acceptance of the BMW Lifestyle collection with consumers around the world.

In February, Ports hosted Chinese film and television actress Xu Jing Lei in New York City as our special guest at Ports 1961's runway show at Mercedes Fashion Week in New York City. The New York Fashion Week held twice a year in Bryant Park is covered by every major fashion publication in the world and is closely watched by fashion insiders everywhere. Xue Jing Lei's attendance at the Ports 1961: 630 North Fall 2007 Fashion Show attracted significant media interest worldwide. Chinese media had given the event extensive coverage, including CCTV, People's Daily, Sohu.com and Sina.com and her own personal blog at YouTube. With the magazines, website and television coverage, management estimates news of her attendance at the Ports 1961 show in New York, as well as the show itself, were seen by some 250 million viewers in China.

The directors continue to be very pleased with the high quality of execution and devotion of its employees to the continued improvement of the Ports brand, and our entire operations. The diligence and dedication of our employees is reflected in the continued strength of the Ports brand name, our importance to department stores and malls as well as the continued strengthening of the Group's financial position. Salaries and benefits related to share-based payment increased approximately RMB9.9 million in 1H2007 due mainly to expenses relating to the Group's stock options plan. This increase in stock option expense is mainly the result of the amortisation of share options granted in September 2006. Cash inflow from operating activities continued to be strong in 1H2007, and the Group generated an additional RMB94.1 million in net cash and cash equivalents at the end of 1H2007, compared with 1H2006, after a significant increase in dividend payment to our shareholders. Rental rates remained relatively flat as a percentage of retail turnover, at 26.52% during 1H2006 compared to 25.23% during 1H2007. Approximately 75% of Ports and BMW stores in China are located in department stores and pay rent as a percentage of turnover. When retail sales increase, there is a corresponding increase in the amount paid as rent. The amount paid as rent as a percentage of retail turnover however, has remained relatively stable over the past 6 months. For a retailer to post flat rental cost growth in light of the increase in domestic competition from other international brands demonstrates the value of the Ports brand in the minds of consumers, the importance of our counters to the department stores in which we operate and the quality of execution in our operations.

A LOOK FORWARD TO SECOND HALF OF 2007

Exchange losses during 1H2007 however increased by approximately RMB0.9 million, due mainly to the decline in the US dollar exchange rate. The directors anticipate continued weakness in the US dollar, and seek to decrease the percentage of US dollars held in cash reserves in favour of RMB. To further benefit from the strong RMB and a weaker US dollar, the directors are exploring opportunities to fund the Group's operations with monies borrowed in foreign currencies, including the US dollar. The Group's effective income tax rate decreased from 6.25% during 1H2006 to 4.06% during 1H2007 due mainly to increased tax incentives offered by the PRC government. Our shareholders should note the start of China's tax unification programme in 2008 under which the Group's PRC subsidiaries' corporate income tax rate will be unified at 25% by 2013, not taking into consideration any tax incentive programme, if any.

In the next 12 months, the Group's production facility and head office is expected to move to an all-new facility in Xiamen. The management is looking forward to this move as the new, larger facility will be able to accommodate production, design, warehousing, and sample-making all in the same building. This will enhance operating efficiencies while the size of the new facility will address the Group's medium to long-term growth requirements.

The directors remain confident about the future development of the Group's business, and have decided to increase dividend payments to our shareholders. The directors have declared an interim dividend of RMB0.16 per share, a 45.45% increase as compared with the same period last year. The directors will be looking at better use of our financial resources with the continued accumulation of cash and cash equivalent reserves and the management is dedicated to continuing to improve the return to our shareholders.

Edward Tan Han Kiat
Chairman



27th August 2007
Xiamen, China



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

OVERALL PERFORMANCE

Turnover

Turnover for the six months ended 30 June 2007 was RMB577.6 million compared to RMB417.1 million for the same period in 2006, representing an increase of 38.49%. Turnover comprises three different segments: Retail, OEM and ODM.

Retail Turnover

Retail turnover is generated from PORTS and BMW Lifestyle branded retail stores operating in China and Hong Kong. As at 30 June 2007, there were 329 PORTS stores in China and Hong Kong and 38 BMW Lifestyle stores in China. Retail turnover generated by these stores in the first half of 2007 was RMB471.2 million, compared to RMB363.9 million for the same period in 2006, representing an increase of 29.50%. This increase was driven mainly by an increase in number of units sold in existing stores as well as an increase in the average unit retail selling price (the "ASP").

The increase in selling price reflects, in part, the strength of the PORTS and BMW Lifestyle brands in the Chinese market. Management attributes this strength to the continued investment into building the brands via the Group's marketing activities, and the continued positive comments from independent editors and critics within the fashion industry.

OEM Turnover

OEM segment turnover in 1H2007 recovered from the effects of the U.S. and European safeguard quotas imposed in 2006. A new production contract received from a major international high-end fashion brand in 1H2007 aims to solidify the business relationship with the brand in anticipation of future business. Turnover for the OEM segment increased from RMB40.1 million in 1H2006 to RMB71.1 million in 1H2007, an increase of 77.30%. Management expects that OEM exports will continue to increase in the second half of 2007 ("2H2007"); volumes however, are not significant to make a meaningful impact this year.

ODM ("Other") Turnover

ODM turnover mainly comprises turnover from the export of BMW Lifestyle apparel to the global BMW dealer network as well as to BMW Lifestyle boutiques in the USA and Germany and a limited amount of wholesale sales to retailers inside and outside China. ODM turnover amounted to RMB35.3 million in 1H2007 compared to RMB13.1 million in 1H2006, representing an increase of 169.05%. ODM segment turnover registered a triple-digit increase over 2006, as 1H2006 was still experiencing the residual effect of the safeguard quotas. As a result of these safeguard quotas, the 1H2006 selling season was effectively reduced from 6 months to 3 months. With the resumption of more production being moved back to the factory following the period of outsourcing to other countries because of the safeguard quotas, management anticipates a slight increase in gross profit margin as compared with the second half of 2006.

Cost of sales

Cost of sales in 1H2007 amounted to RMB163.9 million, compared to RMB106.7 million in 1H2006, representing an increase of 53.65%. This increase is mainly due to the shift in business mix away from the OEM and ODM segments. Cost of sales generally increases and decreases in line with changes in turnover, but it also reflects changes in the business mix of the Group's turnover. The increase in turnover in all three of the Group's segments contributed strongly to this increase in cost of sales.

Gross profit

As a result of the factors discussed above, the Group's gross profit increased 33.27% from RMB310.4 million in 1H2006 to RMB413.7 million in 1H2007. The Group's gross profit margin declined from 74.42% in 1H2006 to 71.62% in 1H2007. This decrease in gross profit margin was mainly due to the changes in the business mix of the Group's turnover. The Group's retail segment enjoys a significantly higher gross profit margin than the OEM and ODM segments. The return to normality in the OEM and ODM segments, which have lower profit margins resulted in an overall lower gross profit margin for the Group as a whole.

Retail Gross Profit

Retail gross profit increased 29.24%, from RMB297.2 million in 1H2006 to RMB384.2 million in 1H2007, while gross margin slightly decreased from 81.69% to 81.52% over the same period.

Of the Group's gross profit, retail contributed 92.86% of the total in 1H2007, compared to 95.76% in 1H2006, reflecting the impact of the increase in the contribution from the OEM and ODM segments to the overall business of the Group, and the continuing importance of the Group's retail operation.

OEM Gross Profit

OEM gross profit increased from RMB7.7million in 1H2006 to RMB10.6 million in 1H2007, representing an increase of 38.09%. Gross margin for the OEM segment declined from 19.18% in 1H2006 to 14.94% in 1H2007. The decrease in gross margin was mainly due to the depreciation of the U.S. dollar, which reduces the amount received when converted into RMB.

ODM Gross Profit

ODM gross profit increased 245.21%, from RMB5.5 million in 1H2006 to RMB18.9 million in 1H2007. Gross margin also increased from 41.76% in 1H2006 to 53.58% in 1H2007. This gradual increase in gross profit margin reflects the move back to in-house production rather than outsourcing to other countries because of the safeguard quotas issues last year. Management is optimistic that the demand for BMW Lifestyle apparel products will continue in 2H2007, and will continue to focus its attention on the continued development of this business.

Other operating income

Other operating income decreased 3.69% from RMB7.8 million in 1H2006 to RMB7.6 million in 1H2007. Other operating income consists mainly of income from the Group's sunglass licensee and store design and decoration services provided to third parties, including department stores that contain new PORTS INTERNATIONAL concessions. The decrease was mainly attributable to a decline in store design and decoration income, from RMB3.6 million in 1H2006, to RMB2.5 million in 1H2007, a decline of 32.56% as a result of the slower rate of new Ports and BMW Lifestyle retail store openings in 1H2007. Royalty payments received from the Group's sunglass licensee increased 49.05% from RMB1.4 million in 1H2006, to RMB2.1 million in 1H2007.

Profit from operations

As a result of the factors discussed above, the Group's profit from operations increased by 37.34% from RMB105.3 million in 1H2006 to RMB144.6 million in 1H2007. The Group's operating margin (profit from operations expressed as a percentage of turnover) declined marginally from 25.24% in 1H2006 to 25.03% in 1H2007. The slight decline in profitability is largely due to a significant increase in cost of sales of 53.65%.

Operating Expenses

Operating expenses increased from RMB213.0 million in 1H2006 to RMB276.7 million in 1H2007, an increase of 29.90%. Operating expenses consisted of distribution expenses, administrative expenses and other operating expenses. The changes in various components are summarised in the following paragraphs.

Distribution expenses

Distribution expenses increased 29.97% from RMB179.7 million in 1H2006 to RMB233.6 million in 1H2007. This increase was principally due to increases in rent and salaries and benefits. Rental expense for retail outlets increased 23.21% from RMB96.5 million in 1H2006 to RMB118.9 million in 1H2007. This increase was mainly due to an increase in retail turnover, particularly from concessions as the occupancy cost of a concession store is charged as a percentage of turnover.

Salaries and benefit expenses resulting from the retail operation increased 50.82% from RMB30.3 million in 1H2006 to RMB45.5 million in 1H2007. This increase is mainly the result of increased payments to retail sales employees, as commissions on retail sales are offered as incentives to in-store staff.

Other components of distribution expenses also experienced increases. Depreciation expenses increased 18.38% from RMB12.4 million in 1H2006 to RMB14.67 million in 1H2007, mainly due to capital expenditure relating to investment into the Group's production and distribution facilities, and the continued introduction of PORTS retail stores. Advertising costs increased 35.21% from RMB14.1 million in 1H2006 to RMB19.1 million in 1H2007. This increase is due to the Group's continued investment into building the PORTS and BMW Lifestyle brands, and remained consistent with historical levels at 4.06% of retail turnover. Store and mall expenses also increased 37.56% from RMB10.4 million in 1H2006 to RMB14.3 million in 1H2007, mainly due to renovations to upgrade existing department store concessions and mall locations.

Administrative expenses

Administrative expenses increased 32.66% from RMB16.5 million in 1H2006 to RMB21.9 million in 1H2007. This was mainly due to an increase in administrative salaries and benefits (including share based payments), the largest category of administrative expense, which increased by 70.25% from RMB7.9 million in 1H2006 to RMB13.5 million in 1H2007. This significant increase is largely due to a stock option expense of RMB6.9 million. This increase however, was offset by a decrease in design expenses, which are allocated to the North American operation in direct proportion to North American sales. Under the Group's design sharing agreement, an increase in the volume of business in North America in 1H2007 resulted in more design costs being allocated to the North American operations.

Other operating expenses

Other operating expenses increased 26.44% from RMB16.8 million in 1H2006 to RMB21.3 million in 1H2007. This increase was mainly due to an increase in stock provisions, from RMB16.8 million in 1H2006 to RMB21.3 million in 1H2007.

Net Finance Income

Net Finance Income increased from RMB2.3 million in 1H2006 to RMB4.3 million, an increase of 86.22%, due to an increase in interest income from RMB3.5 million in 1H2006 to RMB7.2 million in 1H2007, an increase of 106.59%. This increase is due to the interest earned from the increases in cash with deposit with commercial banks, and also included interest earned from a loan of RMB200.0 million to an arms length third party secured by a first charge on mortgage and the mortgage loan has been repaid to the Group. Offsetting the increase in interest income is an increase in the net exchange loss, from RMB1.1 million in 1H2006, to RMB2.0 million in 1H2007, an increase of 82.39%. The Group is taking steps to minimise the impact of the appreciation of RMB against the United States dollars ("US\$") by keeping most of its cash in RMB.

Income Tax

The Group's income tax expense decreased by 10.06% in 1H2007, whilst the effective income tax rate decreased from 6.25% of profit before tax in 1H2006 to 4.06% of profit before tax in 1H2007. The decrease in income tax expense was mainly due to a tax refund implemented by the PRC government.

Profit attributable to shareholders

The Group's profit attributable to shareholders increased 41.62% from RMB100.8 million in 1H2006 to RMB142.8 million in 1H2007. The Group's net profit margin increased from 24.18% in 1H2006 to 24.72% in 1H2007.

Financial Position, Liquidity and Gearing Ratio

The Group continues to be in a strong financial position, with significant cash and cash equivalents. As at 30 June 2007, the Group had approximately RMB526.4 million in cash and cash equivalents and time deposits with major banks, compared with RMB412.7 million as at 31 December 2006. The Group also had access to significant bank loans and overdraft facilities, and had outstanding bank borrowings of RMB68.2 million as at 30 June 2007. As at this date, the Group's gearing ratio was 5.52%, based on outstanding bank debt and total assets of approximately RMB1,234.9 million. The Group's gearing ratio was zero as at 31 December 2006. As at 30 June 2007, the current ratio was 4.23, based on current assets of RMB1,052.8 million and current liabilities of RMB248.8 million.

Acquisitions & Disposals of Subsidiaries & Associated Companies

The Group did not engage in any material acquisitions or disposals of any subsidiaries or associated companies in the six months ended 30 June 2007.

Currency Risk Management

The Group's cash balances and cash generated from normal business operations are mainly deposited in RMB with major Chinese banks, with a small amount in Hong Kong dollars ("HK\$"), US\$ and the European Union common currency ("Euro") being deposited with other major international banks in China and Hong Kong. The Group continues to minimise exchange losses by reducing foreign currency reserves, and increasing RMB reserves. Management anticipates the continued appreciation of the RMB, which may potentially increase the Group's purchasing power for raw materials sourced outside China. In 1H2007, the Group reported an RMB2.0 million exchange loss compared to RMB1.1 million in 1H2006.

The Group does not engage in any currency hedging activities as it considers its risk exposure to currency fluctuations to be acceptable. The Group's cost base is mainly denominated in RMB with some Euro and US\$ exposure from raw materials purchased in Europe. Exposure to the fluctuations of the Euro and US\$ is balanced by the receipt of Euros from exports of BMW Lifestyle apparel to BMW in Germany, and the receipt of US\$ from OEM customers in the USA. Currently, revenue from operations is denominated mainly in RMB with some minor Euro and US\$ exposure. In the future, the Group plans to increase the RMB component of cash holdings, thus minimising the losses due to foreign currency fluctuations and maximising the benefits from the continued appreciation of the RMB.

Capital Commitments & Contingent Liabilities

As at 30 June 2007, the Group had capital commitments of RMB1.3 million which had been contracted for, and capital commitments of RMB77.0 million, which had been authorised but not contracted for. The Group had no contingent liabilities as at 30 June 2007.

Capital Structure of the Group

The Group requires working capital to support its manufacturing, Retail, OEM and ODM operations. In the past, the Group financed its working capital needs principally through net cash inflows from operating activities and from short-term interest-bearing loans. The initial public offering of the Group's shares on 31 October 2003 provided an additional source of working capital. As at 30 June 2007, the Group had cash and cash equivalents and time deposits of RMB526.4 million, denominated principally in RMB, HK\$, US\$ and Euro, representing an increase of 27.57% from 31 December 2006. Net cash inflows from operating activities increased 167.66% to RMB150.3 million in 1H2007, as compared to RMB56.1 million for the same period in 2006. The Group currently has outstanding interest-bearing debt obligations of RMB68.2 million.

Charges on Assets

As at 30 June 2007, the Group had not charged any of its assets.

Human Resources

As at 30 June 2007, the Group had approximately 5010 employees. Total personnel expenses, comprising wages, salaries and benefits, amounted to RMB94.9 million in the first half of 2007, compared to RMB70.0 million for the same period in 2006.

Post-Balance Sheet Date Developments

After the balance sheet date, the directors have declared an interim dividend of RMB0.16 per share based on 553,896,351 ordinary shares in issue as at 30 June 2007, amounting in aggregate to RMB88.6 million to be paid on 31 October 2007 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 28 September 2007.

Significant Events

There were no significant events in the first half of 2007.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2007, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors; Rodney Cone, Valarie Fong, and Lara Lai, has reviewed the interim financial report of the Company and the auditors' review report for the six months ended 30 June 2007 and submitted its views to the Board of Directors. The Audit Committee has also endorsed the accounting treatment adopted by the Company.

The interim financial report for the six months ended 30 June 2007 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The unmodified review report issued by KPMG is included in the interim report to be sent to shareholders.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the first half of 2007.

The Company has adopted the Model Code for securities transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific inquiry of all directors regarding non-compliance with the Model Code for the period ended 30 June 2007, and they have all confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' security transactions.







**PORTS DESIGN LIMITED
UNAUDITED INTERIM FINANCIAL
REPORT**

FOR THE SIX MONTHS ENDED 30 JUNE 2007

**REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
PORTS DESIGN LIMITED**
for the six months ended 30 June 2007



Introduction

We have reviewed the interim financial report set out on pages 21 to 34 which comprises the consolidated balance sheet of Ports Design Limited as of 30 June 2007 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27th August 2007


CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2007 (unaudited)
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2007	2006
Turnover	2	577,620,378	417,097,363
Cost of sales		(163,911,014)	(106,679,014)
Gross profit		413,709,364	310,418,349
Other operating income		7,558,281	7,847,517
Distribution expenses		(233,558,690)	(179,695,963)
Administrative expenses		(21,867,146)	(16,483,150)
Other operating expenses		(21,276,554)	(16,827,823)
Profit from operations		144,565,255	105,258,930
Net finance income		4,287,406	2,302,366
Profit before taxation	2,3	148,852,661	107,561,296
Taxation	4	(6,041,624)	(6,717,470)
Profit for the period-attributable to equity shareholders of the Company		142,811,037	100,843,826
Dividends payable to equity shareholders of the Company	5		
- Interim dividend proposed after the balance sheet date		88,623,416	60,225,579
Earnings per share			
-Basic	6	0.26	0.18
-Diluted	6	0.25	0.18

CONSOLIDATED BALANCE SHEET
As at 30 June 2007 (unaudited)
(Expressed in Renminbi Yuan)

	Note	At 30 June 2007	At 31 December 2006
Non-current assets			
Lease prepayments		6,640,861	6,727,232
Property, plant and equipment	8	162,125,401	154,392,435
Deferred tax assets		13,354,141	11,306,769
Total non-current assets		182,120,403	172,426,436
Current assets			
Inventories	9	343,103,448	330,160,049
Trade and other receivables, deposits and prepayments	10	183,252,497	224,756,711
Fixed deposits with banks		105,000,000	100,300,363
Cash and cash equivalents	12	421,438,840	312,353,600
Total current assets		1,052,794,785	967,570,723
Current liabilities			
Trade payables, other payables and accruals	13	161,592,214	208,777,935
Loans and borrowings	14	68,208,000	-
Income tax payable		18,978,494	17,457,028
Total current liabilities		248,778,708	226,234,963
Net current assets		804,016,077	741,335,760
Total assets less current liabilities		986,136,480	913,762,196
Capital and reserves			
Share capital	15	1,469,185	1,456,667
Reserves		984,667,295	912,305,529
Total equity-attributable to equity shareholders of the Company		986,136,480	913,762,196

Approved and authorised for issue by the board of directors on 27th August 2007.



Alfred Chan Kah Tai
Chief Executive Officer



Pierre Frank Bourque
Executive Vice President

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2007 (unaudited)
(Expressed in Renminbi Yuan)

	<u>Six months ended 30 June</u>	
	<u>2007</u>	<u>2006</u>
Net cash from operating activities	150,262,380	56,139,322
Net cash used in investing activities	(28,444,851)	(30,288,029)
Net cash used in financing activities	(12,732,289)	(52,067,719)
Net increase/(decrease) in cash and cash equivalents	109,085,240	(26,216,426)
Cash and cash equivalents at 1 January	312,353,600	216,107,425
Cash and cash equivalents at 30 June	421,438,840	189,890,999

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2007 (unaudited)
(Expressed in Renminbi Yuan)

	Share capital	Capital reserve - staff shares options issued (undistributable)	Capital reserve	Share premium	General reserve fund	Enterprise expansion fund	Retained earnings	Total
At 1 January 2006	1,445,503	6,817,880	63,159,023	319,456,274	64,798,942	9,867,952	294,708,709	760,254,283
Dividends to equity holders	-	-	-	-	-	-	(60,211,644)	(60,211,644)
Shares issued under share option scheme	7,771	(1,492,324)	-	9,644,994	-	-	-	8,160,441
Equity settled share-based transaction	-	675,956	-	-	-	-	-	675,956
Profit for the period	-	-	-	-	-	-	100,843,826	100,843,826
Balance at 30 June 2006	1,453,274	6,001,512	63,159,023	329,101,268	64,798,942	9,867,952	335,340,891	809,722,862
At 1 January 2007	1,456,667	12,559,944	63,159,023	333,670,466	88,146,918	9,867,952	404,901,226	913,762,196
Dividends to equity holders	-	-	-	-	-	-	(94,117,806)	(94,117,806)
Shares issued under share option scheme	12,518	(3,081,796)	-	16,212,985	-	-	-	13,143,707
Equity settled share-based transaction	-	10,537,346	-	-	-	-	-	10,537,346
Profit for the period	-	-	-	-	-	-	142,811,037	142,811,037
Balance at 30 June 2007	1,469,185	20,015,494	63,159,023	349,883,451	88,146,918	9,867,952	453,594,457	986,136,480

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2007
(Expressed in Renminbi Yuan)

1. Basis of preparation

Ports Design Limited is a company incorporated in Bermuda with limited liability. The interim financial report of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" adopted by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The interim financial report does not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the Board of Directors is included on page 20.

The financial information relating to the financial year ended 31 December 2006 included in the interim financial report does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2007.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Renminbi Yuan)

2. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises two principal business segments which are retail and original equipment manufacturer ("OEM") respectively.

	<u>Six months ended 30 June</u>	
	<u>2007</u>	<u>2006</u>
Turnover		
Retail	471,231,933	363,887,110
OEM	71,067,624	40,082,199
Unallocated	35,320,821	13,128,054
Total	577,620,378	417,097,363
Segment result		
Retail	146,767,503	114,208,124
OEM	5,729,510	2,256,648
Total	152,497,013	116,464,772
Unallocated operating income and expenses	(7,931,758)	(11,205,842)
Profit from operations	144,565,255	105,258,930
Net finance income	4,287,406	2,302,366
Income tax	(6,041,624)	(6,717,470)
Profit for the period	142,811,037	100,843,826

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal geographical areas, the PRC (other than Hong Kong), North America, Hong Kong and Europe. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Turnover		
the PRC	461,442,281	356,695,597
North America	81,463,637	42,261,803
Europe	24,924,808	10,948,450
Hong Kong	9,789,652	7,191,513
Total	577,620,378	417,097,363

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in Renminbi Yuan)

3. Profit before taxation

Profit before taxation is arrived at after charging:

	<i>Six months ended 30 June</i>	
	<u>2007</u>	<u>2006</u>
Interest expense on bank advances repayable		
within five years	340,817	16,515
Cost of inventories (note 9)	185,187,568	123,506,837
Loss on disposal of property, plant		
and equipment	84,421	6,325
Depreciation		
- owned fixed assets	20,706,425	16,620,944
- leased fixed assets	135,885	135,885
Amortisation		
- lease prepayments	86,372	86,365
Operating leases charges in respect		
of properties		
- minimum lease payments	28,463,461	21,659,286
- contingent rents	90,421,048	76,289,274

4. Taxation

	<i>Six months ended 30 June</i>	
	<u>2007</u>	<u>2006</u>
Taxation represents:		
Provision for PRC income tax for the period	22,171,349	16,764,292
Income tax refund	(14,082,353)	(9,388,235)
	8,088,996	7,376,057
Changes in deferred taxes	(2,047,372)	(658,587)
	<u>6,041,624</u>	<u>6,717,470</u>

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in foreign jurisdictions are not subject to any income tax in their local jurisdictions.

Provision for Hong Kong Profit Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits of a subsidiary in Hong Kong. No provision has been made for Hong Kong Profits Tax during the six months ended 30 June 2007 and 2006 as the subsidiary did not earn any assessable income for Hong Kong profit tax purpose.

Provision for PRC income tax is calculated at the respective applicable rates on the estimated assessable income of our subsidiaries in the PRC determined in accordance with the relevant income tax rules and regulations. The applicable tax rate of our subsidiaries in the PRC is 15%, which represented the preferential PRC enterprise income tax rate for companies located within special economic zones in the PRC. Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries located in the PRC are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC Enterprise Income Tax at 50% of the applicable income tax rate for the following three years.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Renminbi Yuan)

4. Taxation (continued)

The Group was granted tax refund of RMB 14,082,353 during the six months ended 30 June 2007 (2006: RMB 9,388,235), pursuant to the relevant PRC tax law and regulations applicable to re-investment of profits earned.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law"). According to the New Tax Law, the new enterprise income tax rates for all companies in the PRC are unified at 25% effective from 1 January 2008. Pursuant to the transitional arrangement under the New Tax Law, the income tax rate applicable to certain of the Company's subsidiaries, which enjoy a preferential income tax rate of 15%, is expected to gradually increase to the unified rate of 25% over a 5-year transition period. However, detailed tax rules on how the existing preferential tax rate of 15% will be gradually increased to 25% has not been pronounced by the PRC government yet. In view of the above and having considered that all of the Group's temporary differences as at 30 June 2007 will be crystallised prior to the end of the 5-years transitional period, the Group has recognized deferred taxes as at 30 June 2007 based on the currently applicable tax rate of 15%, which is considered by the management as the rate expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantially enacted by the balance sheet date.

5. Dividends

(a) Dividends payable to the equity shareholders of the Company attributable to the period

	Six months ended 30 June	
	2007	2006
Interim dividend proposed after the balance sheet date of RMB 0.16 per share (2006: RMB0.11 per share)	88,623,416	60,225,579

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of proposed interim dividend is based on 553,896,351 ordinary shares in issue as at 30 June 2007 (2006: 547,505,262 ordinary shares).

(b) Dividends payable to the equity shareholders of the Company attributable to the previous financial year, approved during the period

	Six months ended 30 June	
	2007	2006
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB0.17 per share (2006: RMB0.11 per share)	94,117,806	60,211,644

In respect of the final dividend for the year ended 31 December 2006, there was a difference of RMB 814,276 between the final dividend proposed in the 2006 annual report and the amount eventually approved and paid during the 6 months ended 30 June 2007. The difference represents additional dividend distributed to the holders of shares which were issued upon the exercise of share options before the closing date of the register of members based on which the final dividends for the year ended 31 December 2006 were actually paid.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in Renminbi Yuan)

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to shareholders of RMB142,811,037 (2006: RMB100,843,826) and the weighted average number of 552,176,242 (2006: 547,024,504) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to shareholders of RMB 142,811,037 (2006: RMB 100,843,826) and the weighted average number of 566,050,733 (2006: 554,452,864) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme.

(c) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2007	2006
	Number of shares	Number of shares
Weighted average number of ordinary shares at 30 June	552,176,242	547,024,504
Effect of deemed issue of shares under the Company's share option scheme (note 16)	13,874,491	7,428,360
Weighted average number of ordinary shares (diluted) at 30 June	566,050,733	554,452,864

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

7. Related party transactions

(a) Transactions with a fellow subsidiary company

During the period, the Group entered into the following transactions with Ports International Retail Corporation ("PIRC"), a fellow subsidiary company.

	Six months ended 30 June	
	2007	2006
Sales of goods	14,569,924	3,703,764

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties, and in the ordinary course of business, and this has been confirmed by the independent non-executive directors.

(b) Transactions with key management personnel

	Six months ended 30 June	
	2007	2006
Short-term employee benefits	793,548	595,963
Equity compensation benefits	52,687	13,519

(c) The Group participates in a defined contribution plan managed by the local government authorities of Xiamen for its employees employed in the PRC and also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Group's contributions to these post-employment benefit plans amounted to RMB 2,836,782 for the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: RMB 1,409,881)

As at 30 June 2007 and 31 December 2006, there was no material outstanding contribution to post-employment benefit plans.

8. Property, plant and equipment

	2007	2006
Cost:		
Balance at 1 January	243,093,175	205,370,106
Acquisitions for the period/year	28,795,719	53,167,485
Disposals for the period/year	(10,101,540)	(15,444,416)
Balance at 30 June/31 December	261,787,354	243,093,175
Depreciation:		
Balance at 1 January	88,700,740	66,596,220
Depreciation charge for the period/year	20,842,310	37,332,691
Disposals for the period/year	(9,881,097)	(15,228,171)
Balance at 30 June/31 December	99,661,953	88,700,740
Net book value:		
At 30 June/31 December	162,125,401	154,392,435

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in Renminbi Yuan)

9. Inventories

Inventories comprise:

	30 June 2007	31 December 2006
Raw materials	90,120,939	91,329,081
Work in progress	34,950,334	24,529,880
Finished goods	216,662,827	214,117,814
Goods in transit	1,369,348	183,274
	<u>343,103,448</u>	<u>330,160,049</u>

The analysis of the amount of inventories recognized as an expense is as follows:

	Six months ended 30 June	
	2007	2006
Cost of goods sold	163,911,014	106,679,014
Stock provision	21,276,554	16,827,823
	<u>185,187,568</u>	<u>123,506,837</u>

10. Trade and other receivables, deposits and prepayments

	30 June 2007	31 December 2006
Accounts receivable	123,163,482	172,956,816
Amount due from a related company (note 11)	12,582,738	5,145,608
Advances to suppliers	9,029,388	7,331,739
Other receivables, deposits and prepayments	38,476,889	39,322,548
	<u>183,252,497</u>	<u>224,756,711</u>

An ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	30 June 2007	31 December 2006
Within 1 month	100,261,090	146,155,950
Over 1 month but less than 3 months	20,161,636	23,583,185
Over 3 months but less than 6 months	2,191,142	3,204,034
Over 6 months but less than 12 months	549,614	13,647
	<u>123,163,482</u>	<u>172,956,816</u>

Customers are normally granted credit terms of 0 to 60 days, depending on the credit worthiness of individual customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

11. Amount due from a related company

	30 June 2007	31 December 2006
Due from PIRC	12,582,738	5,145,608

The amount due from PIRC arose from sales transactions with PIRC as disclosed in note 7(a). The balance is unsecured, interest free and has no fixed repayment terms.

12. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	30 June 2007	31 December 2006
Cash at bank and on hand	99,372,777	121,648,624
Time deposits with banks	322,066,063	190,704,976
	<u>421,438,840</u>	<u>312,353,600</u>

Time deposits with banks included in cash and cash equivalents are within three months of maturity at acquisition.

13. Trade payables, other payables and accruals

	30 June 2007	31 December 2006
Bills payable	203,251	8,467,401
Accounts payable	73,220,598	98,815,115
Other creditors and accruals	88,168,365	101,495,419
	<u>161,592,214</u>	<u>208,777,935</u>

An ageing analysis of accounts payable is as follows:

	30 June 2007	31 December 2006
Within 1 month or on demand	42,245,505	55,261,459
Over 1 month but less than 3 months	21,000,510	29,112,266
Over 3 months but less than 6 months	9,482,005	14,131,608
Over 6 months but less than 12 months	492,578	309,782
	<u>73,220,598</u>	<u>98,815,115</u>

14. Loans and borrowings

In April 2007, the Company was granted revolving loan facilities up to HKD 70 million by Bank of China (Hong Kong) Limited. The loan is unsecured, carries interest at 0.7% per annum over Hong Kong Interbank Offered Rate (HIBOR) and is repayable within 6 months from the date of borrowing. As at 30 June 2007, the entire loan facilities of HKD 70 million (equivalent to RMB 68,208,000) were drawn down by the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Renminbi Yuan)

15. Share capital

During the six months ended 30 June 2007, 5,052,055 ordinary shares of HK\$0.0025 each of the Company were issued for a total cash consideration of HK\$13,261,644 (equivalent to RMB13,143,707) as certain share options were exercised by the holders pursuant to the share option scheme adopted by the Company. Details of the share option scheme are disclosed in note 16.

16. Equity settled share-based transactions

In 2003 the Company adopted a share option scheme that entitles key management personnel and employees to subscribe shares in the Company. The terms and conditions of the share option scheme are disclosed in the consolidated financial statements for the year ended 31 December 2006.

A summary of option movements for the six months ended 30 June 2007 is presented below:

	<i>Six months ended</i>		<i>Year ended</i>	
	<i>30 June 2007</i>		<i>31 December 2006</i>	
	<i>Weighted</i>	<i>Number of</i>	<i>Weighted</i>	<i>Number of</i>
	<i>average</i>	<i>shares involved</i>	<i>average</i>	<i>shares involved</i>
	<i>exercise price</i>	<i>in the options</i>	<i>exercise price</i>	<i>in the options</i>
At beginning of period/year	HK\$8.652	24,038,240	HK\$2.625	12,453,339
Granted	-	-	HK\$11.68	16,000,000
Exercised	HK\$2.625	(5,052,055)	HK\$2.625	(4,331,200)
Cancelled	HK\$11.68	(47,340)	HK\$2.625	(83,899)
Outstanding				
at end of period/year	HK\$10.252	18,938,845	HK\$8.652	24,038,240
Exercisable				
at the end of period/year	HK\$2.625	2,986,185	HK\$2.625	8,038,240

During the six months ended 30 June 2007, one of the directors of the company exercised options to subscribe for 100,000 ordinary shares of the company (2006: nil).

Details of share options exercised during the six months ended 30 June 2007 are as follows:

<i>Grant date</i>	<i>Exercise price</i>	<i>Weighted</i> <i>average closing</i> <i>price per share</i> <i>of the share</i> <i>options</i> <i>exercised</i>	<i>Proceeds</i> <i>received</i>	<i>Number of</i> <i>shares</i> <i>involved in</i> <i>the options</i>
3 November 2003	HK\$2.625	HK\$18.96	HK\$13,261,644	5,052,055

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in Renminbi Yuan)

17. Operating leases commitments

Non-cancellable operating lease rentals are payable as follows:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Less than one year	37,687,422	52,243,987
Between one and five years	52,981,671	67,267,321
	<u>90,669,093</u>	<u>119,511,308</u>

The leases run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent of a proportion of turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

18. Capital commitments

Capital commitments in respect of purchases of property, plant and equipment outstanding at 30 June 2007 and 31 December 2006 but not provided for in the interim financial report were as follows:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Contracted for	1,319,262	1,357,531
Authorised but not contracted for	77,000,000	75,000,000
	<u>78,319,262</u>	<u>76,357,531</u>

19. Subsequent event

After the balance sheet date, the directors proposed interim dividend on 27 August 2007. Further details are disclosed in note 5.



OTHER INFORMATION

The Directors submit their interim report together with the unaudited financial results of PORTS DESIGN LIMITED ("PORTS" or the "Company") and its subsidiaries (together with the Company, the "Group") for the six months ended 30 June 2007.

Interim Dividend and Closure of Register of Members

The earnings for the Group for the six months ended 30 June 2007 are RMB142.8 million. The Directors have declared an interim dividend of RMB0.16 per share for the six months ended 30 June 2007, totaling RMB88.6 million to be payable to shareholders registered as at 28 September 2007 (2006: 29 September 2006).

The interim dividend will be payable on 31 October 2007 to shareholders whose names appear on the register of members of the Company on 28 September 2007. The register of members will be closed from 24 September 2007 to 28 September 2007, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all transfer of shares accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 21 September 2007.

Directors

The Directors of PORTS during the six months ended 30 June 2007 were:

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr. Edward Tan Han Kiat	Ms. Julie Ann Enfield	Mr. Rodney Ray Cone
Mr. Alfred Chan Kai Tai		Ms. Valarie Fong Wei Lynn
Mr. Pierre Frank Bourque		Ms. Lara Magno Lai

Directors' and Chief Executives Officer's Interests and Short Positions

As at 30 June 2007, the interests of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(i) Shares of the Company of HK\$0.0025 each ("Shares")

	Personal Interest	Corporate Interest ⁴	Family Interest ⁴	Other interest
Mr. Edward Han Kiat Tan (Note 1)	0	223,600,000 (L) 22,000,000 (S)	223,600,000 (L) 22,000,000 (S)	40.37%(L) 3.97%(S)
Mr. Alfred Kai Tai Chan (Note 1)	0	223,600,000 (L) 22,000,000 (S)	223,600,000 (L) 22,000,000 (S)	40.37%(L) 3.97%(S)
Mr. Pierre Frank Bourque	160,000(L) ²	0	160,000(L)	0.03%(L)
Ms. Julie Ann Enfield	0	0	0	0
Mr. Rodney Ray Cone	60,000(L) ³	0	60,000(L)	0.01%(L)
Ms. Valarie Fong Wei Lynn	60,000(L) ²	0	60,000(L)	0.01%(L)
Ms. Lara Magno Lai	0	0	0	0

Note 1: A long position of 600,000 Shares are owned by Ports International Enterprise Limited ("PIEL"), the issued share capital of which is owned as to 50% by Mr. Tan and Mr. Chan respectively. PIEL also holds a short position of 22,000,000 shares. 223,000,000 Shares are owned by CFS International Inc., a direct subsidiary of PIEL. Mr. Tan and Mr. Chan are deemed to be interested in 40.37% of the issued share capital of the Company by virtue of their respective interests in PIEL pursuant to Part XV of the SFO.

Note 2: These interests represent shares and interests in options granted by the Company under its share option scheme.

Note 3: These interests represent interests in options granted by the Company under its share option scheme.

Note 4: (L) - Long Position, (S) - Short Position.

(ii) Share options in the Company

	Number of outstanding share options	Percentage of issued share capital
Mr. Pierre Frank Bourque	160,000	0.03%
Mr. Rodney Ray Cone	60,000	0.01%
Ms. Valarie Fong Wei Lynn	60,000	0.01%

Other than the holdings disclosed above, during the first half of 2007 no interests and short positions were held or deemed taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein.

Share Options Scheme

Details of the share options outstanding as at 30 June 2007 under the Scheme were as follows:

Share options granted on 3 November 2003

	Options held at 1/1/2007	Options granted during the period	Options exercised during the period (Note 1)	Options lapsed during the period	Exercise price per option (HK\$) (Note 2)	Options held at 30/6/2007	Exercisable from	Exercisable until
Mr. Edward Tan Han Kiat	0	0	0	0	2.625	0	N/A	N/A
Mr. Alfred Chan Kai Tai	0	0	0	0	2.625	0	N/A	N/A
Mr. Pierre Frank Bourque	180,000	0	100,000	0	2.625	80,000	Nov-3-2003	Nov-2-2013
Ms. Julie Ann Enfield	0	0	0	0	2.625	0	N/A	N/A
Mr. Rodney Ray Cone	60,000	0	0	0	2.625	60,000	Nov-3-2003	Nov-2-2013
Ms. Valarie Fong Wei Lynn	60,000	0	0	0	2.625	60,000	Nov-3-2003	Nov-2-2013
Ms. Lara Lai	0	0	0	0	2.625	0	N/A	N/A
Continuous contract employees	7,738,240	0	4,952,055	0	2.625	2,786,185	Nov-3-2003	Nov-2-2013

Share options granted on 1 September 2006

	Options held at 1/1/2007	Options granted during the period	Options exercised during the period	Options lapsed during the period	Exercise price per option (HK\$) (Note 1)	Options held at 30/6/2007	Exercisable from	Exercisable until
Mr. Edward Tan Han Kiat	0	0	0	0	11.68	0	N/A	N/A
Mr. Alfred Chan Kai Tai	0	0	0	0	11.68	0	N/A	N/A
Mr. Pierre Frank Bourque	80,000	0	0	0	11.68	80,000	Sep-1-2006	Aug-31-2016
Ms. Julie Ann Enfield	0	0	0	0	11.68	0	N/A	N/A
Mr. Rodney Ray Cone	0	0	0	0	11.68	0	Sep-1-2006	Aug-31-2016
Ms. Valarie Fong Wei Lynn	0	0	0	0	11.68	0	Sep-1-2006	Aug-31-2016
Ms. Lara Lai	0	0	0	0	11.68	0	N/A	N/A
Continuous contract employees	15,920,000	0	0	47,340	11.68	15,872,660	Sep-1-2006	Aug-31-2016

Note 1: The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$18.96.

Note 2: The exercise price for each share granted in November 2003 was originally fixed at HK\$10.50, but was adjusted to HK\$2.625 following the 4 for 1 share split in November 2004.

On and subject to the terms of the Share Option Scheme (terms and conditions contained in this letter shall prevail in case of any inconsistencies), the Options shall only be exercisable in respect of such part thereof that has been vested in accordance with the following manner:

Fraction of the shares covered under the option	Vesting date
1/3	First anniversary of the offer date
1/3	Second anniversary of the offer date
1/3	Third anniversary of the offer date

The Board may in its absolute discretion relax or accelerate all or any of the above vesting periods in such manner as it may deem fit.

Substantial Shareholders

The Company has been notified that, as at 30 June 2007, persons (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Names of shareholders	Capacity	Number of shares	Total number of shares held	Percentage of issued share capital
(a) Substantial shareholders				
CFS International Inc. ¹	Beneficial Owner	223,000,000(L)	223,000,000(L)	40.26%(L)
Ports International Enterprises Limited ¹	Beneficial Owner	600,000		
	Interest of Controlled Corporation	223,000,000(L)	223,600,000(L)	40.37%(L)
		22,000,000(S)	22,000,000(S)	3.97%(S)
(b) Other persons				
Baring Asset Management Limited	Investment Manager	37,922,500	55,004,596	9.93%
Lloyd George Investment Management (Bermuda) Ltd.	Investment Manager	38,321,500	38,321,500	6.92%
JPMorgan Chase & Co.	Investment Manager	32,553,000	32,513,500	5.87%
Fidelity International Limited	Investment Manager	32,553,000	27,687,000	5.00%
Northern Trust Fiduciary Services (Ireland) Limited	Investment Manager	27,469,180	27,469,180	4.96%

Notes:

1. PIEL is deemed to be interested in the 223,000,000 Shares held by CFS by virtue of PIEL's 82.77% interest in CFS. Please also see Note 1 to "Directors' and Chief Executives Officer's Interests and Short Positions" above.

Saved as disclosed above, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company as at 30 June 2007 as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interests in Contracts of Significance

There were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, at the end of the period ended 30 June 2007.

Purchase, Sale or Redemption of Group's Listed Securities

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries has redeemed purchased or sold any of the Company's listed securities.

Pre-emptive Rights

There is no provision regarding pre-emptive rights under the Bye-Laws of the Company and the laws of Bermuda.

Retirement Scheme

The Group participates in the Pension Plan benefit scheme mandated by the PRC government for its employees based in the PRC and the Mandatory Provident Plan mandated by the Hong Kong Government for its employees in Hong Kong.

Pledging of shares by controlling shareholders

The controlling shareholder of the issuer has not pledged any of its interests in shares of the Group to any third-party.

Statement of Sufficiency of Public Interest

As at 27 August 2007, based on the information publicly available to the Company and within the knowledge of the Directors, 59.26% of the Shares were publicly held.



On Behalf of the Board
Edward Tan Han Kiat
Chairman

27th August 2007
Xiamen, China

LISTING INFORMATION

Share Listing

The Company's shares are listed on Main Board of the The Stock Exchange of Hong Kong Limited

Stock Code

The Stock Exchange of Hong Kong Limited: 589
Bloomberg: 589.HK
Reuters: 0589.HK

Price History

MONTH	PER SHARE		
	High(HK\$)	Low(HK\$)	Total Volume
January	21.50	15.60	27,151,460
February	21.45	19.00	18,102,512
March	21.00	16.54	23,592,280
April	22.60	19.92	20,564,148
May	27.00	20.65	29,085,770
June	24.40	20.20	25,859,382
July	23.90	18.02	34,677,794
August	21.85	14.30	40,197,588

Board of Directors

Edward Han Kiat Tan*, *Chairman*
Alfred Kai Tan Chan*, *Chief Executive & Managing Director*
Pierre Frank Bourque*, *Executive Vice President*
Julie Ann Enfield, *Non-executive Director*
Rodney Ray Cone, *Independent Non-executive Director*
Valarie Wei Lynn Fong, *Independent Non-executive Director*
Lara Magno Lai, *Independent Non-executive Director*
* *Executive Director*

Compliance Officer

Valarie Wei Lynn Fong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Bankers

*Hong Kong & Shanghai Banking Corporation Limited,
Xiamen Branch*
Ground Floor, The Bank Centre
189 Xiahe Road
Xiamen Fujian PRC

*Bank of China (Hong Kong) Limited
International Finance Centre Branch*
One Harbour View Street
Central Hong Kong

Principal Place of Business in Hong Kong

G01, One Hysan Avenue
Causeway Bay
Hong Kong

Auditors

KPMG
8th Floor, Prince's Building
10 Chater Road
Central Hong Kong

Corporate Counsel

Norton Rose
38th Floor, Jardine House
One Connaught Place
Central Hong Kong

Registrar & Transfer Offices

Principal:
Reid Management Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Hong Kong Branch:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Center
183 Queen's Road East
Hong Kong



On Behalf of the Board
Edward Tan Han Kiat
Chairman

27th August 2007
Xiamen, China





BMW Lifestyle



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