PORTS
1961

PORTS DESIGN LIMITED

(Stock code: 0589)

INTERIM REPORT 2010

CONTENTS

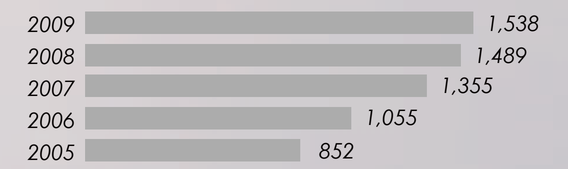
FINANCIAL HIGHLIGHTS

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

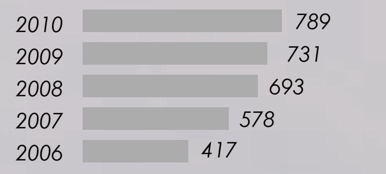
	For the six months ended 30 June		*For the year ended 31 December*				
	2010	*2009*	*2009*	*2008*	*2007*	*2006*	*2005*
Results							
Turnover	789	731	1,538	1,489	1,355	1,055	852
Profit from operations	227	236	524	454	376	280	186
Profit attributable to shareholders	209	206	468	422	397	254	165
Assets and liabilities							
Non-current assets	337	215	315	206	175	172	154
Current assets	1,745	1,830	2,173	1,684	1,186	968	758
Current liabilities	589	722	1,123	778	432	226	152
Net current assets	1,156	1,108	1,050	906	754	742	606
Total assets less current liabilities	1,493	1,323	1,365	1,112	929	914	760
Non-current liabilities	7	1	7	-	-	-	-
Shareholders' Equity	1,487	1,322	1,358	1,112	929	914	760

Turnover
(RMB million)

For the year ended 31 December



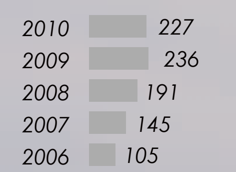
For the six months ended 30 June



Profit from Operations
(RMB million)

For the year ended 31 December

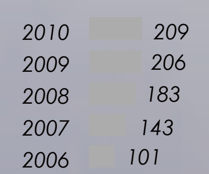
For the six months ended 30 June



Profit Attributable
to Shareholders
(RMB million)

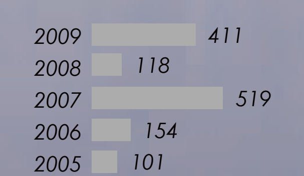
For the year ended 31 December

For the six months ended 30 June

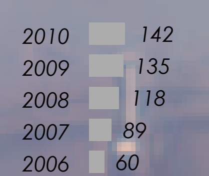


Dividend History*
(RMB million)

For the year ended 31 December



For the six months ended 30 June



** The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated. The figure illustrates an interim dividend of RMB 0.25 per share, totaling RMB141.5 million declared for the period ended 30 June 2010.*

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 Mainland China, Hong Kong and Macau, 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 Mainland 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 centers, and stand-alone flagship retail stores. These retail outlets are located in over 60 cities in Mainland China, including, among others, Hong Kong, Beijing, Shanghai, Chongqing, Shenzhen, Wuhan, Xi'an and Dalian. As at 30 June 2010, the Group operated 276 PORTS retail outlets.

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. The Group now also has the license to design and manufacture new product categories, including watches, sunglasses, and leather goods. The license has been renewed for a term of five years and upon expiry will be subject to further renewal upon mutual agreement. The right to market BMW Lifestyle products in Mainland China, other than in BMW car dealer showrooms, is exclusive to the Group during the term of the license. As at 30 June 2010, the Group operated 44 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 manufacture of almost all OEM merchandise is outsourced. OEM products are branded under brands requested by OEM customers.

The Group separates the above businesses under three segments: "Retail", which mainly comprises the PORTS and BMW Lifestyle retail business, "OEM", which comprises exports to North America and Europe, and "Others" which comprises mainly of exports of BMW Lifestyle goods to North America and Europe, and the wholesale of PORTS goods.

CHAIRMAN'S STATEMENT

The Group began its current financial year in the midst of gradual macro economic recovery and strategic transition under the Retail Network Repositioning Program which was started in late 2007 (the "Program"). With the economic recovery and the transitions that we had undergone, the management team planned a roadmap for balancing short-term financial performance with its strategic goal of moving the brand further upmarket which we believe will create the most value in the long-run.

The Group's strategic and operational performance was in line with what the management had expected to result from the restructuring of the retail distribution network that was to take place during the first half of 2010 ("1H2010"). Turnover for 1H2010 was RMB788.9 million compared to RMB731.0 million for the same period in 2009 ("1H2009"), representing an increase of 7.9%. The Group's revenue growth was achieved mostly with retail sales growth. The Group's gross profit increased 5.9%, from RMB595.8 million in 1H2009 to RMB630.6 million in 1H2010. Operating profit declined by 3.7% to RMB227.3 million mainly due to the increase in the non-cash charge of RMB33.0 million which is primarily related to employee stock option expense. The Group's profit attributable to shareholders for 1H2010 increased by 1.4% to RMB209.2 million compared to RMB206.4 million for 1H2009. The non-cash share option expense had indeed created a direct impact to the financials, however, if we were to exclude this non-cash expense item, the financials do demonstrate a very healthy performance trend, as the Group's net profit margin actually increased from 28.6% in 1H2009 to 30.6% for 1H2010.

As the Group strived to boost Retail segment performance with the anticipated economic recovery, the Management implemented a modest increase in the average retail selling price ("ARSP") for the 2010 Spring/Summer collection. This was to test the appropriate pricing strategy for the retail business and the extent of the price elasticity versus demand in the high-end PRC retail market. The Group achieved Retail revenue of RMB732.4 million for 1H2010, a 9.4% increase compared with the same period in 2009. This sales increase was primarily contributed by a strong double digit same store sales growth. Through thorough review and observation of the Group's Retail performance over the years, and the effect of price versus demand, the Management has come to a view that within the PRC high-end market, consumers are relatively insensitive to prices. Therefore, as long as the Group manages to, and which the Group is committed to, maintaining the strong brand attributes of our core PORTS brand, the Group will continue to enjoy sales growth. Starting from 2010 Fall collection, the management team will return to the original pricing formula with higher ARSP increases.

When the Group embarked on the Program to upgrade the retail network in the second half of 2007, the management team had the responsibility of balancing the short-term financial results and long-term strategic direction of the Group's Retail segment. A conscious decision was made to close down stores that were not in line with the positioning of the PORTS brand. Under the Program, the Group opened 33 new stores during 1H2010, but at the same time closed 60 stores that Management considered as inconsistent with the positioning of our brand. That resulted in a reduction of 27 in the total store count from 31 December 2009 to 30 June 2010. The Management is pleased to report that we are now near the tail end of this Program, and the Group will resume an increasing trend in the total number of retail stores. The progress achieved under the Program is reflected in the financial performance and we have achieved our dual objectives of maintaining short-term financial performance while moving the brand further upmarket, which will create the greatest long-term value.

PORTS unveiled the PORTS 1961 Fall 2010 collection during the Mercedes Benz New York Fashion Week in February 2010. The Craeft Fall 2010 collection was inspired by a venture into a realm that is rooted in the past yet reaches for the future. It highlights pieces which uses the human form as its muse to create a very distinctive collection that was full of sculptural accents. The show received global media coverage, including major fashion media like Vogue, Elle, Harper's Bazaar and Style.com. The Management is pleased to report that the PORTS brand continues to attract many new fans with many celebrities like Olivia Palermo, MTV Reality television actress and Julia Jones, actress of the movie phenomena "Twilight", were seen wearing PORTS.

The Retail segment remained a key business driver for the Group's profitability and continued to dominate the Group's overall turnover by accounting for 92.8% of the Group's turnover, compared to 91.6% in 1H2009. Strategically, important steps were taken in the continued effort to complete the Program with respect to maintaining the PORTS brand integrity. The Retail segment grew by 9.4%, marginally lower than 10.2% in 1H2009, Management feels that Retail segment has delivered a satisfactory performance while undertaking the critical Program aimed at taking the Group into another phase of significant growth.

The BMW Lifestyle brand continues to demonstrate progress with the success of its non-apparel product extension developments which include leather goods, eyewear and watches. The recent launch of the BMW Lifestyle Timepiece Collection in Beijing was well-received and Management will monitor its progress and will continue to enhance its product lines and invest in the development to support growth. Leveraging on our successful experience with the BMW Lifestyle brand, Management is working closely to finalise the retail roadmap for Ferrari and the Group's first Ferrari retail concept store was unveiled in August 2010.

The Group remains focused on its multi-brand portfolio strategy and the Licensed Brand Division ("LBD") continues to actively manage and scout for quality international brands to add to the Group's existing brand portfolio. Presently, LBD is managing five brands – BMW Lifestyle, Armani, Vivienne Tam, Ferrari and Versace. Management will continue to monitor and evaluate the progress achieved by these new brands and exercise discretion concerning their retail rollout plan. This strategic approach is in line with management's conservative stance to maintain strong financial returns and to have the flexibility to capture any potential opportunities.

The Directors remain pleased with the Group's performance and are grateful to the management team and employees for their efforts and dedication. In recognition of the patience and support of our employees during the past few turbulent years, the Group issued the third batch of options under the 2003 Share Option Scheme (the "Scheme") in the third quarter of last year. This third batch grant resulted in a non-cash share option expense charge of RMB33.0 million in 1H2010, causing an significant increase in operating costs. Nevertheless, the Directors are of the opinion that the maintenance of the Scheme will have significant long-term benefit to the Group. The Group also lifted the salary freeze and resumed the hiring of new employees, in order to improve the quality of our workforce and maintain our competitiveness in attracting top talents in the fashion industry. The Management remains focused on strict cost control and will continuously monitor opportunities for further improvements in operating efficiencies. With this unrelenting financial discipline, the Group remains in a strong financial position with over RMB1.01 billion in cash, cash equivalents and time deposits with banks as at 30 June 2010.

A LOOK FORWARD TO THE SECOND HALF OF 2010

During the months of July and August, Management saw retail sales growth trends similar to that of 1H2010. An increase of ARSP increase, roughly 8% was implemented for the 2010 Fall Collection, which appears to be well accepted by the consumers.

The Group remains optimistic and will continue to open new stores in the second half of 2010. The Group expects that the repositioned retail distribution network will bring higher sales productivity and acquire a larger market share. For 1H2010, the Management is pleased with the progress of the Program and expects the store count to increase modestly from now till year end.

With the gradual recovery in the global economic environment, the Management expects turnover for OEM and Others segments to increase slowly, due to an improvement in demand from the affected Western economies. However, contributions to earnings are expected to be insignificant compared with the contribution from the Retail segment.

The Group is expected to move into the new headquarter facility by year end 2010. Management believes that the consolidation will improve productivity and increase manufacturing capacity, which will support the Group's future growth and enable the Group to continue to reap the benefits from improved economies of scale.

The Directors remain upbeat about the future of the Group's business and have declared an interim dividend of RMB0.25 per share to our shareholders. The Group will continue to monitor market conditions to ensure the continuing strength of its core PORTS brand and to meet its responsibilities to all its stakeholders, including customers, employees, vendors and shareholders.

Edward Han Kiat Tan
Chairman

26 August 2010
Xiamen, PRC

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

OVERALL PERFORMANCE

Turnover

Turnover for the six months ended 30 June 2010 was RMB788.9 million compared to RMB731.0 million for the same period in 2009, representing an increase of 7.9%. Turnover comprises of three different segments: Retail, OEM and Others.

Retail turnover

Retail turnover is generated from the PORTS, BMW Lifestyle brand, and to much lesser extent, the Armani and Vivienne Tam retail stores. As at 30 June 2010, there were a total of 329 stores in China, including Hong Kong and Macau. Retail turnover generated by these stores in 1H2010 was RMB732.4 million, compared to RMB669.7 million for the same period in 2009, representing an increase of 9.4%. This increase was driven mainly by an increase in number of units sold in existing stores as well as an increase in the ARSP. The increase in selling price reflects, in part, the strength of the PORTS and BMW Lifestyle brands in the Chinese market. The Management attributes this strength to the continued investment into building the brands via the Group's marketing activities, and the continued favourable reviews from independent fashion editors and critics within the global fashion industry.

OEM turnover

Turnover for the OEM segment rose from RMB35.7 million in 1H2009 to RMB45.5 million in 1H2010, an increase of 27.6%. The Management expects that OEM exports will continue to increase in the second half of 2010 ("2H2010").

Others turnover

Others turnover comprises mainly of turnover from the export of BMW Lifestyle apparel to the global BMW dealer network as well as to BMW Lifestyle boutiques in the U.S. and Germany. Others turnover amounted to RMB11.0 million in 1H2010 compared to RMB25.6 million in 1H2009, representing a decrease of 57.2%. The Management expects that Others turnover will improve in 2H2010.

Cost of Sales

Cost of sales in 1H2010 amounted to RMB158.3 million, compared to RMB135.2 million in 1H2009, representing an increase of 17.1%.The increase in cost of sales is mostly due to the increased non-cash share option expense, which is in relation to the third batch of share options that has been granted to employees in relation to retail operations.

Gross Profit

As a result of the factors discussed above, the Group's gross profit increased 5.9%, from RMB595.8 million in 1H2009 to RMB630.6 million in 1H2010. Removing the share option expense impact, Management is pleased to report that the Group's gross profit margin remained stable at 81.2% for 1H2010, as compared to 81.6% in 1H2009. The Group's Retail segment enjoys a significantly higher gross profit margin than the OEM and Others segments.

Retail Gross Profit

Retail gross profit increased 7.6%, from RMB577.1 million in 1H2009 to RMB620.9 million in 1H2010, while gross margin declined from 86.2% to 84.8% over the same period. The decline in gross margin was mainly due to the increased share option expense. This accounts for the Group's 98.5% gross profit, compared to 96.9% in 1H2009, reflecting the growing importance of the Group's retail operations.

OEM Gross Profit

Gross profit of the OEM segment decreased from RMB7.2 million in 1H2009 to RMB6.3 million in 1H2010, representing a decline of 11.8%. Gross profit margin for the OEM segment fell from 20.1% in 1H2009 to 13.9% in 1H2010. The Group outsources the manufacturing for the OEM segment and the decline in gross margin was mainly due to a more competitive and higher sourcing costs in the PRC.

Others Gross Profit

Gross profit of the Others segment decreased by 70.6%, from RMB11.5 million in 1H2009 to RMB3.4 million in 1H2010. Gross profit margin also decreased from 45.0% in 1H2009 to 30.9% in 1H2010. This is due mainly to a very competitive environment as a result of the global financial crisis. The Management expects that the demand for BMW Lifestyle apparel products will improve gradually in 2H2010.

Other Revenue

Other revenue declined by 10.7%, from RMB10.8 million in 1H2009 to RMB9.7 million in 1H2010 due to the decreased commission fee from the OEM segment. Other revenue consists mainly of income from the Group's sunglass licensee, store design and decoration services provided to third parties, including department stores that contain new PORTS concessions, this two categories of operating income continue the trend of modest growth, whereas the commission fee from the OEM segment have experienced significant decline.

Operating Expenses

Operating expenses increased modestly from RMB370.4 million in 1H2009 to RMB413.0 million in 1H2010, an increase of 11.5%. Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. The changes in various components are summarized in the following paragraphs.

Distribution Costs

Distribution costs increased by 7.0%, from RMB322.8 million in 1H2009 to RMB345.6 million in 1H2010. Distribution costs consist mainly of salaries and benefits and leasehold improvement fee from retail operations. Distribution costs as a percentage of Retail turnover maintained stable at 47.2% in 1H2010 (1H2009: 48.2%).

Rental expense for retail network increased by 1.4%, from RMB172.6 million in 1H2009 to RMB175.0 million in 1H2010. Rental expense as a percentage of Retail turnover declined to 23.9% in 1H2010 (FY2009: 24.7%, 1H2009: 25.8%).

Salaries and benefit expenses resulting from retail operations increased by 5.9%, from RMB65.7 million in 1H2009 to RMB69.6 million in 1H2010. This increase was mainly the result of increased share option expense to the Retail employees.

Other components of distribution costs also experienced increases. Store and mall expenses increased by 49.4%, from RMB19.4 million in 1H2009 to RMB29.0 million in 1H2010 as we continue upgrading existing department store concessions and mall locations.

Depreciation expenses increased by 18.4%, from RMB23.5 million in 1H2009 to RMB27.9 million in 1H2010, 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 by 7.8%, from RMB21.1 million in 1H2009 to RMB22.8 million in 1H2010. The advertising rate has increased as a result of the recovery of the global financial crisis. However, the advertisement costs as a percentage of Retail revenue maintained stable at 3.1% (1H2009: 3.2%), demonstrating the Group's ability to continue to enjoy increasing economies of scale with advertising expenses.

Administrative Expenses

Administrative expenses increased by 113.3%, from RMB20.2 million in 1H2009 to RMB43.0 million in 1H2010. This was mainly due to an increase in salaries and benefits (including share based payments).

Salaries and benefits for administrative staff, the single largest category of administrative expenses increased by 175.3%, from RMB12.6 million in 1H2009 to RMB34.7 million in 1H2010. The significant increase was mainly due to the impact from the increase on the amortization expense related to the Scheme. In 1H2010, salaries and benefits for administrative staff as a percentage of total Group's turnover is at 4.4% (1H2009: 1.7%). The Management granted new share options to employees during the third quarter of 2009, resulting in an increase in the employee share option expense for 1H2010. The Management believes that the Scheme is a key part of the Group's employee retention strategy and will deliver long-term benefits to the Group.

Other operating expenses

Other operating expenses decreased 11.0%, from RMB27.4 million in 1H2009 to RMB24.4 million in 1H2010. This decrease was mainly due to a decline in stock provisions, from RMB27.4 million in 1H2009 to RMB24.4 million in 1H2010. In 1H2010, the stock provision as a percentage of Retail turnover was maintained at 3.3% (FY2009: 4.5%, 1H2009: 4.1%).

Profit from Operations

As a result of the factors discussed above, the Group's profit from operations decreased by 3.7%, from RMB236.1 million in 1H2009 to RMB227.3 million in 1H2010. The operating margin declined from 32.3% in 1H2009 to 28.8% in 1H2010. The decline in profitability is largely due to the increase in the non-cash charge of employee share option expense, under cost of sales, distribution costs and administrative expenses, as well as other factors discussed above.

Net Finance Costs/ Income

Net finance cost reversed from a loss of RMB4.1 million in 1H2009 to an income of RMB7.8 million in 1H2010, a decrease of 289.4%. In 1H2010, the Group reported a gain of RMB2.4 million in exchange income compared to a RMB1.6 million exchange loss in 1H2009. This exchange gain was mainly related to the Hong Kong dollars ("HK$") denominated loan, which caused a net finance income gain due to the strengthening of RMB.

Income Tax

The Group's income tax expense increased by 5.4%, from RMB25.6 million in 1H2009 to RMB27.0 million in 1H2010, as the effective income tax rate increased from 11.0% of profit before tax in 1H2009 to 11.5% of profit before tax in 1H2010.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders increased by 1.4%, from RMB206.4 million in 1H2009 to RMB209.2 million in 1H2010. Management is proud to report that the Group's net profit margin, excluding the non-cash share option expense of RMB33.0 million, improved to 30.7% for 1H2010, as compared to 28.6% in 1H2009.

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 2010, the Group had approximately RMB1,005.5 million in cash, cash equivalents and time deposits with major banks, compared with RMB1,459.3 million as at 31 December 2009. The Group also had access to significant bank loans and overdraft facilities, and had outstanding bank borrowings of RMB230.5 million as at 30 June 2010, versus RMB734.1 million at year end 2009. The Group pays out cash dividend of RMB140.9 million during 1H2010, vs. nil in the corresponding period last year. As at 30 June 2010, the Group's gearing ratio was 11.1%, based on outstanding bank debt and total assets of approximately RMB2,082.1million. The Group's gearing ratio was 29.5% as at 31 December 2009. As at 30 June 2010, the current ratio was 2.96, based on current assets of RMB1,745.4 million and current liabilities of RMB589.6 million.

Acquisitions, Disposals of Subsidiaries and 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 2010.

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 HK$, US$ and the European Union common currency ("Euro") being deposited with other major international banks in China and Hong Kong. The Management anticipates the continued appreciation of the RMB will potentially increase the Group's purchasing power for raw materials sourced outside China in the medium and long-term basis. In 1H2010, the Group reported RMB2.4 million exchange income compared to an RMB1.6 million exchange loss in 1H2009. The reversal has impacted positively on the Group's earnings by approximately RMB7.8 million in 1H2010. 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 United States. Currently, revenue from operations is denominated mainly in RMB with some minor Euro and US$ exposure. The Company is of the view that the RMB will appreciate against the US$ in the medium and longer term, and will continue to hold significant portion of cash in RMB.

Capital Commitments & Contingent Liabilities

As at 30 June 2010, the Group had capital commitments of RMB149.5 million, of which RMB102.0 million was authorized but not contracted for. The Group had no material contingent liabilities as at 30 June 2010.

Capital Structure of the Group

The Group requires working capital to support its manufacturing, Retail, OEM and Others 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 2010, the Group had cash, cash equivalents and time deposits of RMB1,005.5 million, denominated principally in RMB, HK$, US$ and Euro, representing a decline of 31.1% from 31 December 2009. Net cash inflows from operating activities decreased by 10.5% to RMB213.9 million in 1H2010, compared to RMB239.1 million for the same period in 2009. The Group currently has outstanding interest-bearing debt obligations of RMB230.5 million.

Charges on Assets

As at 30 June 2010, the Group's bank deposits of RMB238.8 million were pledged to secure banking facilities and bank borrowings granted to the Group.

Human Resources

As at 30 June 2010, the Group had approximately 5,030 employees. Total personnel expenses, comprising wages, salaries and benefits, amounted to RMB142.7 million in 1H2010, compared to RMB116.0 million for the same period in 2009.

Post-Balance Sheet Date Developments

After the balance sheet date, the Directors have declared an interim dividend of RMB0.25 per share based on 566,018,279 ordinary shares in issue as at 30 June 2010, amounting in aggregate to RMB141.5 million to be paid on 20 December 2010 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 1 November 2010.

Significant Events

There were no significant events in the 1H2010.

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

During the six months ended 30 June 2010, 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, has reviewed the financial statements of the Group and the auditor's review report thereon and submitted its views to the Board of Directors.

The Audit Committee has also endorsed the accounting treatment adopted by the Group.

The Audit Committee has also reviewed the connected transactions and the internal control systems of the Group in accordance with the provisions of Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2010.

The Group has adopted the Model Code for securities transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific inquiry of all Directors for the six months ended 30 June 2010, and they have each confirmed their compliance 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 2010

KPMG

REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
PORTS DESIGN LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 21 to 38 which comprises the consolidated balance sheet of Ports Design Limited as of 30 June 2010 and the related consolidated statement of comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows 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 2010 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

26 August 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2010 (unaudited)
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	*Six months ended 30 June* *2010* *RMB'000*	*2009* *RMB'000*
Turnover	3	788,949	730,992
Cost of sales		(158,304)	(135,229)
Gross profit		630,645	595,763
Other revenue		9,651	10,808
Distribution costs		(345,558)	(322,820)
Administrative expenses		(42,998)	(20,162)
Other operating expenses		(24,414)	(27,440)
Profit from operations		227,326	236,149
Finance income		11,462	6,611
Finance costs		(3,682)	(10,720)
Net finance income/(costs)	4(a)	7,780	(4,109)
Profit before taxation	4	235,106	232,040
Income tax	5	(26,968)	(25,594)
Profit for the period		208,138	206,446
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		208,138	206,446
Profit attributable to:			
Equity shareholders of the Company		209,241	206,446
Non-controlling interests		(1,103)	-
Profit for the period		208,138	206,446
Total comprehensive income attributable to:			
Equity shareholders of the Company		209,241	206,446
Non-controlling interests		(1,103)	-
Total comprehensive income for the period		208,138	206,446
Earnings per share (RMB)			
-Basic	6	0.37	0.37
-Diluted	6	0.37	0.37

The notes on pages 25 to 38 form part of this unaudited interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 7.

CONSOLIDATED BALANCE SHEET

at 30 June 2010 (unaudited)

(Expressed in thousands of Renminbi Yuan)

	Note	*At 30 June 2010 RMB'000*	*At 31 December 2009 RMB'000*
Non-current assets			
Lease prepayments		3,431	3,527
Property, plant and equipment	9	279,538	262,080
Intangible assets		21,065	21,065
Deferred tax assets		32,640	28,490
		336,674	315,162
Current assets			
Inventories	10	479,330	448,479
Trade and other receivables, deposits and prepayments	11	260,625	265,333
Fixed deposits with banks		760,247	665,524
Cash and cash equivalents	13	245,246	793,821
		1,745,448	2,173,157
Current liabilities			
Trade payables, other payables and accruals	14	359,052	369,685
Interest-bearing borrowings	15	230,532	734,117
Current taxation		-	19,916
		589,584	1,123,718
Net current assets		1,155,864	1,049,439
Total assets less current liabilities		1,492,538	1,364,601
Non-current liabilities			
Deferred tax liabilities		6,845	6,845
		6,845	6,845
Net assets		1,485,693	1,357,756
Capital and reserves			
Share capital	16	1,497	1,492
Reserves		1,485,299	1,356,264
Total equity attributable to equity shareholders of the Company		1,486,796	1,357,756
Non-controlling interests		(1,103)	-
Total equity		1,485,693	1,357,756

Approved and authorised for issue by the board of directors on 26 August 2010.

Edward Han Kiat Tan
Chairman

The notes on pages 25 to 38 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2010 (unaudited)

(Expressed in thousands of Renminbi Yuan)

		Six months ended 30 June	
	Note	*2010 RMB'000*	*2009 RMB'000*
Cash generated from operations		270,254	283,521
Income tax paid		(56,345)	(44,385)
Net cash generated from operating activities		213,909	239,136
Net cash used in investing activities		(135,874)	(7,503)
Net cash used in financing activities		(626,610)	(10,392)
Net (decrease)/increase in cash and cash equivalents		(548,575)	221,241
Cash and cash equivalents at 1 January	13	793,821	307,606
Cash and cash equivalents at 30 June	13	245,246	528,847

The notes on pages 25 to 38 form part of this unaudited interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2010 (unaudited)
(Expressed in thousands of Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Capital reserve - staff shares options issued (undis-tributable) RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		1,486	24,528	63,159	432,642	149,810	9,868	430,442	1,111,935	-	1,111,935
Shares issued under share option scheme		-	(220)	-	1,063	-	-	-	843	-	843
Equity settled share-based transaction		-	2,557	-	-	-	-	-	2,557	-	2,557
Total comprehensive income for the period		-	-	-	-	-	-	206,446	206,446	-	206,446
Balance at 30 June 2009		1,486	26,865	63,159	433,705	149,810	9,868	636,888	1,321,781	-	1,321,781
Balance at 1 January 2010		1,492	53,743	63,159	456,851	151,617	9,868	621,026	1,357,756	-	1,357,756
Dividends to equity holders	7(b)	-	-	-	-	-	-	(135,677)	(135,677)	-	(135,677)
Shares issued under share option scheme	16	5	(5,687)	-	28,161	-	-	-	22,479	-	22,479
Equity settled share-based transaction		-	32,997	-	-	-	-	-	32,997	-	32,997
Total comprehensive income for the period		-	-	-	-	-	-	209,241	209,241	(1,103)	208,138
Balance at 30 June 2010		1,497	81,053	63,159	485,012	151,617	9,868	694,590	1,486,796	(1,103)	1,485,693

The notes on pages 25 to 38 form part of this unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2010
(Expressed in thousands of Renminbi Yuan)

1. Basis of preparation

Ports Design Limited ("the Company") is a company incorporated in Bermuda with limited liability. The interim financial report of the Company for the six months ended 30 June 2010 comprises 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, issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2009 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 2009.

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 independent review report to the Board of Directors is included on page 20.

The financial information relating to the financial year ended 31 December 2009 included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2010.

2. Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Improvements to IFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendment introduced by the *Improvements to IFRSs (2009)* omnibus standard in respect of IAS 17, *Leases*, has had no material impact on the Group's financial statements as the classification of the Group's interests in leasehold land as operating leases continues to be appropriate.

As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The impact of the remainder of these developments in respect of the revisions to IFRS 3, IAS 27, and IFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and the Group has not yet entered into relevant transactions which will be affected by these developments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2010
(Expressed in thousands of Renminbi Yuan)

3. Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments.

- Retail: this segment primary derives revenue from retail sales in the People's Republic of China ("the PRC"). These products are either sourced externally or are manufactured in the Group's manufacturing facilities located in the PRC. Individual retail shops are identified as operating segments and have been aggregated to form this reportable segment as they have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.
- OEM: this segment exports merchandise to retailers and customers in North America, Europe and Asia. The manufacture of OEM merchandise is outsourced and is branded under brands requested by the OEM customers.

(a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets represent inventories only.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is gross profit less selling and distribution costs directly attributable to the segment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Six months ended 30 June							
	Retail		***OEM***		***Others(i)***		***Total***	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	732,436	669,653	45,546	35,706	10,967	25,633	788,949	730,992
Reportable segment revenue	732,436	669,653	45,546	35,706	10,967	25,633	788,949	730,992
Reportable segment profit	350,396	321,002	6,326	7,173	3,392	11,528	360,114	339,703

	Retail		***OEM***		***Others(i)***		***Total***	
	30 June 2010	*31 December 2009*	*30 June 2010*	*31 December 2009*	*30 June 2010*	*31 December 2009*	*30 June 2010*	*31 December 2009*
Reportable segment assets	468,025	439,448	5,590	5,010	5,715	4,021	479,330	448,479

(i) Revenue from segments below the quantitative thresholds are mainly attributable to two operating segments of the Group. Those segments include export sales and wholesales. None of those segments met any of the quantitative thresholds for determining reportable segments.

(Expressed in thousands of Renminbi Yuan)

(b) Reconciliations of reportable segment revenue, profit and assets

	Six months ended 30 June	
	2010	*2009*
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	777,982	705,359
Other revenue	10,967	25,633
Consolidated turnover	788,949	730,992

	Six months ended 30 June	
	2010	*2009*
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	356,722	328,175
Other profit	3,392	11,528
	360,114	339,703
Other revenue	9,651	10,808
Distribution costs	(75,027)	(66,760)
Administrative expenses	(42,998)	(20,162)
Other operating expenses	(24,414)	(27,440)
Net finance income/(costs)	7,780	(4,109)
Consolidated profit before taxation	235,106	232,040

	30 June 2010	*31 December 2009*
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	473,615	444,458
Other assets	5,715	4,021
	479,330	448,479
Non-current assets	336,674	315,162
Trade and other receivables, deposits and prepayments	260,625	265,333
Fixed deposits with banks	760,247	665,524
Cash and cash equivalents	245,246	793,821
Consolidated total assets	2,082,122	2,488,319

4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	*2009*
	RMB'000	*RMB'000*
(a) Net finance (income)/costs		
Interest income from bank deposits	(9,032)	(6,611)
Net foreign exchange gain	(2,430)	-
Finance income	(11,462)	(6,611)
Interest expense on bank loans repayable within five years	3,673	8,774
Less: Interest expense capitalised into property, plant and equipment	(759)	(221)
Interest expense, net	2,914	8,553
Net foreign exchange loss	-	1,561
Others	768	606
Finance costs	3,682	10,720
Net finance (income)/costs	(7,780)	4,109
(b) Other items		
Depreciation		
- owned fixed assets	31,777	28,153
- leased fixed assets	-	136
	31,777	28,289
Operating leases charges in respect of properties		
- minimum lease payments	43,230	44,192
- contingent rents	131,742	128,379
	174,972	172,571
Amortisation - lease prepayments	42	55
Cost of inventories (note 10)	182,718	162,669

5. Income tax

	Six months ended 30 June 2010 RMB'000	*2009 RMB'000*
Current tax - PRC income tax	31,118	29,040
Deferred taxation	(4,150)	(3,446)
	26,968	25,594

(i) Pursuant to the rules and regulations of 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.

(ii) No provision for Hong Kong profits tax has been made during the six months ended 30 June 2010 and 2009 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong profits tax purposes.

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rates and regulations of the PRC.

A majority of the subsidiaries in the PRC ("PRC subsidiaries") are located within special economic zones in the PRC and were previously subject to preferential PRC enterprise income tax of 15% pursuant to the income tax rules and regulations of the PRC concerning foreign investment and foreign enterprises (the "FEIT Law"). In addition, under the FEIT law, all the PRC subsidiaries were entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, to a 50% reduction of the applicable income tax rate for the following three years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law"). According to the New Tax Law, the new enterprise income tax rate for all companies in the PRC is unified at 25% effective from 1 January 2008 when the FEIT Law was ended. Pursuant to the transitional arrangement under the New Tax Law, the income tax rate applicable to the Group's PRC subsidiaries will be gradually increased from the applicable rate under the FEIT law of 15% to the unified rate of 25% over a 5-year transition period. The PRC subsidiaries will also continue to enjoy the tax-exemption or 50% reduction on the applicable income tax rate under the New Tax Law until the expiry of the above-mentioned tax holiday previously granted under the FEIT Law, and thereafter they will be subject to the unified rate of 25%.

Pursuant to the New Tax Law, 10% withholding tax is levied on the foreign investor, except that only 5% is levied for foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC, in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008. Deferred tax liabilities of RMB 54,064 thousand (31 December 2009: RMB 41,599 thousand) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of certain PRC subsidiaries of the Group as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned by the Group's subsidiaries in the PRC will not be distributed in the foreseeable future.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2010
(Expressed in thousands of 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 2010 is based on the profit attributable to equity shareholders of the Company of RMB 209,241 thousand (2009: RMB 206,446 thousand) and the weighted average number of 565,369,410 (2009: 560,961,031) 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 2010 is based on the profit attributable to equity shareholders of the Company of RMB 209,241 thousand (2009: RMB 206,446 thousand) and the weighted average number of 568,469,768 (2009: 562,176,628) 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 2010 Number of shares	*2009 Number of shares*
Weighted average number of ordinary shares at 30 June	565,369,410	560,961,031
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 17)	3,100,358	1,215,597
Weighted average number of ordinary shares (diluted) at 30 June	568,469,768	562,176,628

7. Dividends

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

	Six months ended 30 June 2010 RMB'000	*2009 RMB'000*
Interim dividend proposed after the balance sheet date of RMB 0.25 per share (2009: RMB 0.24 per share)	141,505	134,653

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 566,018,279 ordinary shares in issue as at 30 June 2010 (30 June 2009: 561,055,645 ordinary shares).

(b) Dividends payable to the equity shareholders of the Company attributable to the previous financial year

	Six months ended 30 June 2010 RMB'000	*2009 RMB'000*
Special interim dividend approved in the previous financial year and paid during the period of RMB 0.25 per share (2009: RMB nil per share)	140,942	-
Final dividend in respect of the previous financial year, approved during the period, of RMB 0.24 per share (2009: RMB nil per share)	135,677	-

Pursuant to a board resolution dated 30 March 2010, the Company approved 2009 final dividend of RMB 0.24 per share.

8. Related party transactions

Transactions with the following entities are considered as related party transactions for the six months ended 30 June 2010 and 30 June 2009.

Name of party	Relationship
Ports International Enterprises Limited	Ultimate parent company
CFS International Inc.	Immediate parent company
Ports International Retail Corporation	Fellow subsidiary company
Ports International Group Limited	Fellow subsidiary company
PCD Stores (Group) Limited and its subsidiaries	Fellow subsidiary company

The Group also has a related party relationship with its directors and senior officers.

Particulars of significant transactions between the Group and the related parties for the six months ended 30 June 2010 and 2009 are as follows:

(a) Transactions with parent companies and fellow subsidiaries

	Six months ended 30 June	
	2010	*2009*
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	7,724	7,782
Interest-free advances to:		
Ports International Enterprises Limited	89,532	87,961
Ports International Retail Corporation	2,914	2,136
Repayment of interest-free advances from:		
Ports International Enterprises Limited	89,532	87,858
Ports International Retail Corporation	2,914	-
Expenditure paid by the Group on behalf of:		
Ports International Retail Corporation	216	1,559
Ports International Group Limited	187	220
Expenses re-imbursement made from:		
Ports International Retail Corporation	216	1,559
Ports International Group Limited	187	220
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	8,430	10,487

(i) The Group leased a number of concession counters located within the shopping arcades in the PRC owned by certain subsidiaries of PCD Stores (Group) Limited. The Group's sales made in these concession counters totaling RMB 26,675 thousand for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB 58,772 thousand) were collected by these shopping arcades first and settlement between the Group and the shopping arcades in respect of these concession sales was made net of the lease rental payable to the shopping arcades.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2010
(Expressed in thousands of Renminbi Yuan)

(b) Transactions with key management personnel

	Six months ended 30 June	
	2010	*2009*
	RMB'000	*RMB'000*
Short-term employee benefits	1,234	1,143
Equity compensation benefits	938	13

(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 4,903 thousand for the six-month period ended 30 June 2010 (six-month period ended 30 June 2009: RMB 4,226 thousand).

As at 30 June 2010 and 31 December 2009, there was no material outstanding contribution to post-employment benefit plans.

9. Property, plant and equipment

	2010	*2009*
	RMB'000	*RMB'000*
Cost:		
Balance at 1 January	449,313	324,481
Acquisitions for the period/year	49,235	142,039
Disposals for the period/year	(14,889)	(17,207)
Balance at 30 June/31 December	483,659	449,313
Depreciation:		
Balance at 1 January	187,233	157,618
Depreciation charge for the period/year	31,777	43,177
Disposals for the period/year	(14,889)	(13,562)
Balance at 30 June/31 December	204,121	187,233
Net book value:		
At 30 June/31 December	279,538	262,080

(Expressed in thousands of Renminbi Yuan)

10. Inventories

Inventories comprise:

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Raw materials	104,658	78,510
Work in progress	47,452	33,566
Finished goods	326,272	333,957
Goods in transit	948	2,446
	479,330	448,479

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

	Six months ended 30 June	
	2010 *RMB'000*	*2009* *RMB'000*
Cost of goods sold	158,304	135,229
Stock provision	24,414	27,440
	182,718	162,669

11. Trade and other receivables, deposits and prepayments

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Accounts receivable	143,755	176,666
Amounts due from related companies (note 12)	9,104	12,211
Advances to suppliers	17,636	10,623
Other receivables, deposits and prepayments	90,130	65,833
	260,625	265,333

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

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Current	109,926	140,243
Less than 1 month past due	21,609	24,175
1-3 months past due	8,031	10,131
Over 3 months but less than 12 months past due	4,189	2,117
Amounts past due	33,829	36,423
	143,755	176,666

Customers are normally granted credit terms of 0 to 90 days, depending on the credit worthiness of individual customers.

12. Amounts due from related companies

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Amounts due from		
Ports International Retail Corporation	-	265
Ports International Enterprises Limited	-	1,715
PCD Stores (Group) Limited and its subsidiaries	9,104	10,231
	9,104	12,211

The amounts due from related companies are unsecured, interest free and repayable on demand.

13. Cash and cash equivalents

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

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Cash at bank and on hand	235,246	528,757
Time deposits with banks	10,000	265,064
	245,246	793,821

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

14. Trade payables, other payables and accruals

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Accounts payable	83,481	53,580
Other creditors and accruals	139,894	175,163
Dividends payable to the equity shareholders of the Company	135,677	140,942
	359,052	369,685

An ageing analysis of accounts payable is as follows:

	30 June 2010 *RMB'000*	*31 December 2009* *RMB'000*
Due within 1 month or on demand	71,097	32,553
Due after 1 month but within 3 months	6,995	14,820
Due after 3 month but within 6 months	4,000	5,140
Due after 6 month but within 12 months	1,389	1,067
	83,481	53,580

(Expressed in thousands of Renminbi Yuan)

15. Interest-bearing borrowings

	30 June 2010 RMB'000	*31 December 2009 RMB'000*
Bank loans - secured	230,532	734,117

The bank loans of the Group have maturity terms of one month to three months and carry fixed interest rate during the borrowing period.

As at 30 June 2010, the banking facilities of the Group were secured by certain subsidiaries' fixed deposits of RMB 238,820 thousand (31 December 2009: RMB 626,792 thousand) placed with banks located in the PRC and Hong Kong. The Renminbi equivalent of such banking facilities of the Group amounted to RMB 325,837 thousand (31 December 2009: RMB 810,060 thousand), of which RMB 230,532 thousand were utilised as at 30 June 2010 (31 December 2009: RMB 734,117 thousand).

16. Share capital

During the six months ended 30 June 2010, 2,248,693 ordinary shares of HK$ 0.0025 each of the Company were issued for a total cash consideration of HK$ 25,579 thousand (equivalent to RMB 22,479 thousand) 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 17.

17. Equity settled share-based transactions

In 2003, the Company adopted a share option scheme that entitles key management personnel and employees to subscribe for 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 2009.

A summary of option movements for the six months ended 30 June 2010 is presented below:

	Six months ended 30 June 2010		*Year ended 31 December 2009*	
	Weighted average exercise price	*Number of shares involved in the Options*	*Weighted average exercise price*	*Number of shares involved in the Options*
At beginning of period/year	HK$15.592	33,223,809	HK$10.100	11,827,846
Granted	-	-	HK$17.320	24,324,000
Exercised	HK$11.375	(2,248,693)	HK$7.536	(2,835,198)
Cancelled	HK$17.320	(158,770)	HK$14.806	(92,839)
Outstanding at end of period/year	HK$15.890	30,816,346	HK$15.592	33,223,809
Exercisable at the end of period/year	HK$10.747	6,702,566	HK$10.905	8,951,259

During the six months ended 30 June 2010, none (2009: none) of the Company's directors exercised options to subscribe for shares in the Company (2009: none).

Details of share options exercised during the six months ended 30 June 2010 are as follows:

Grant date	*Exercise price*	*Weighted average closing price per share of the share options exercised*	*Proceeds received*	*Number of shares involved in the options*
3 November 2003	HK$2.625	HK$24.26	HK$198,720	75,703
1 September 2006	HK$11.68	HK$22.96	HK$25,380,523	2,172,990

18. Commitments

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	30 June 2010 RMB'000	*31 December 2009 RMB'000*
Less than one year	76,838	87,306
Between one and five years	59,880	81,353
More than five years	2,653	3,407
	139,371	172,066

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.

(b) Capital commitments

Capital commitments in respect of purchases of property, plant and equipment outstanding at 30 June 2010 and 31 December 2009 but not provided for in the interim financial report were as follows:

	30 June 2010 RMB'000	*31 December 2009 RMB'000*
Contracted for	47,468	50,000
Authorised but not contracted for	102,000	141,000
	149,468	191,000

19. Contingent liabilities

In 2008, the Group and Chinanow Associates Limited ("CNOW") entered into an agreement ("the Agreement") to engage in the business relating to the Vivienne Tam brand within the PRC market. The Group has received notification from CNOW alleging that the Group has been in breach of the Agreement in certain respects, including the amount payable to CNOW and certain conditions relating to the Group's operation of the Vivienne Tam brand under the Agreement. Details of the Agreement and the claims from CNOW are disclosed in notes 17 and 32 (b) in the consolidated financial statements for the year ended 31 December 2009. The Directors, having taken legal advice, consider that the Group has complied with the terms of the Agreement, and accordingly no provision has been booked for this matter. The Group is seeking to resolve this matter with CNOW, however the ultimate outcome is uncertain.

20. Subsequent event

After the balance sheet date, the Directors proposed an interim dividend on 26 August 2010. Further details are disclosed in note 7.

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 2010.

Interim Dividend and Closure of Register of Members

The earnings for the Group for the six months ended 30 June 2010 are RMB208.1 million. The Directors have declared an interim dividend of RMB0.25 per share for the six months ended 30 June 2010, totaling RMB141.5 million based on 566,018,279 ordinary shares in issue as at 30 June 2010.

The interim dividend will be payable on 20 December 2010. The register of members will be closed from 2 November 2010 to 8 November 2010, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all transfers 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, 17M floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. , 1 November 2010.

Directors

The Directors of PORTS during the six months ended 30 June 2010 were:

Executive Directors	**Non-Executive Directors**	**Independent Non-Executive Directors**
Mr. Edward Han Kiat Tan	Ms. Julie Ann Enfield	Mr. Rodney Ray Cone
Mr. Alfred Kai Tai Chan		Ms. Valarie Fong Wei Lynn
Mr. Pierre Frank Bourque		Ms. Lara Magno Lai[1]
		Mr. Peter Nikolaus Bromberger [2]

Note 1: Ms. Lai's resignation effective from 1 June 2010.
Note 2: Mr. Bromberger's appointment effective from 1 June 2010.

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

As at 30 June 2010, the interests and short positions 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 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are as follows:

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

	Personal Interest	Corporate Interest[3]	Total Interest[3]	Percentage of total issued shares
Mr. Edward Tan Han Kiat[1]	250,000 (L)[2]	233,827,273 (L)	234,077,273 (L)	41.36% (L)
	0	52,394,000 (S)	52,394,000 (S)	9.26% (S)
Mr. Alfred Chan Kai Tai[1]	250,000 (L)[2]	233,827,273 (L)	234,077,273 (L)	41.36% (L)
	0	52,394,000 (S)	52,394,000 (S)	9.26% (S)
Mr. Pierre Frank Bourque	130,000 (L)[2]	0	130,000 (L)	0.02% (L)
Ms. Julie Ann Enfield	0	0	0	0
Mr. Rodney Ray Cone	110,000 (L)[2]	0	110,000 (L)	<0.02% (L)
Ms. Valarie Fong Wei Lynn	110,000 (L)[2]	0	110,000 (L)	<0.02% (L)

Note 1: Mr. Tan and Mr. Chan own 50% shares of Ports International Enterprises Limited ("PIEL") respectively. PIEL also holds a short position of 52,394,000 Shares. 233,827,273 Shares are owned by CFS International Inc. ("CFS"), a direct subsidiary of PIEL. Mr. Tan and Mr. Chan are deemed to be interested in 41.36% 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 interests in share options ("Option(s)") granted by the Company under its Scheme.

Note 3: (L) - Long Position, (S) - Short Position.

Note 4: Ms. Lara Lai resigned from the Board effective from 1 June 2010. As of 30 June 2010, Ms. Lai held 50,000 Options.

(ii) Options

	Number of outstanding Options	Percentage of issued share capital
Mr. Edward Han Kiat Tan	250,000	0.04%
Mr. Alfred Kai Tai Chan	250,000	0.04%
Mr. Pierre Frank Bourque	130,000	0.02%
Mr. Rodney Ray Cone	110,000	<0.02%
Ms. Valarie Fong Wei Lynn	110,000	<0.02%
Ms. Lara Magno Lai[1]	50,000	<0.01%

As at 30 June 2010, other than the holdings disclosed above, 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 Issuers or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein.

Note 1: Ms. Lara Lai resigned from the Board effective from 1 June 2010. As of 30 June 2010, Ms. Lai held 50,000 Options.

Share Options Scheme (the "Scheme")

Details of the Options outstanding as at 30 June 2010 under the Scheme were as follows:

Options granted on 3 November 2003

	Options held at 1/1/2010	Options granted during the period	Options exercised during the period(Note 1)	Options canceled during the period	Exercise price per option (HK$)	Options held at 30/6/2010	Exercisable from	Exercisable until
Mr. Edward Tan Han Kiat	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Chan Kai Tai	0	0	0	0	N/A	0	N/A	N/A
Mr. Pierre Frank Bourque	0	0	0	0	N/A	0	N/A	N/A
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Ray Cone	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Ms. Valarie Fong Wei Lynn	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Ms. Lara Magno Lai [2]	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	646,479	0	75,703	0	2.625	570,776	3 Nov 2003	2 Nov 2013

Share options granted on 1 September 2006

	Options held at 1/1/2010	Options granted during the period	Options exercised during the period(Note 1)	Options canceled during the period	Exercise price per option (HK$)	Options held at 30/6/2010	Exercisable from	Exercisable until
Mr. Edward Tan Han Kiat	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Chan Kai Tai	0	0	0	0	N/A	0	N/A	N/A
Mr. Pierre Frank Bourque	80,000	0	0	0	11.68	80,000	1 Sep 2006	31 Aug 2016
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Ray Cone	0	0	0	0	N/A	0	N/A	N/A
Ms. Valarie Fong Wei Lynn	0	0	0	0	N/A	0	N/A	N/A
Ms. Lara Magno Lai [2]	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	8,104,780	0	2,172,990	0	11.68	5,931,790	1 Sep 2006	31 Aug 2016

Share options granted on 14 July 2009

	Options held at 1/1/2010	Options granted during the period	Options exercised during the period(Note 1)	Options canceled during the period	Exercise price per option (HK$)	Options held at 30/6/2010	Exercisable from	Exercisable until
Mr. Edward Tan Han Kiat	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Alfred Chan Kai Tai	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Pierre Frank Bourque	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Ray Cone	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Valarie Fong Wei Lynn	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Lara Magno Lai[2]	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Continuous contract employees	23,572,550	0	0	158,770	17.32	23,413,780	14 Jul 2009	13 Jul 2019

Note 1: The weighted average closing price of the Shares immediately at the dates on which the Options were exercised was HK$23.00.

Note 2: Ms. Lara Lai resigned from the Board effective from 1 June 2010. As of 30 June 2010, Ms. Lai held 50,000 Options.

On and subject to the terms of the Scheme, 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 Options	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 of Directors 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 2010, 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:

(a) Substantial shareholders

Names of shareholders	*Capacity*	*Number of Shares*	*Total number of Shares held*	*Percentage of issued share capital*
CFS International Inc.[1]	Beneficial Owner	233,827,273 (L)	233,827,273 (L)	41.31% (L)
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	233,827,273 (L) 52,394,000 (S)	233,827,273 (L) 52,394,000 (S)	41.31% (L) 9.26% (S)

(b) Other persons

Names of shareholders	*Capacity*	*Number of Shares*	*Total number of Shares held*	*Percentage of issued share capital*
JPMorgan Chase & Co.	Investment Manager	67,569,893 (L) 1,400,000 (S) 41,033,393 (LP)	67,569,893 (L) 1,400,000 (S) 41,033,393 (LP)	11.94% (L) 0.25% (S) 7.25% (LP)
Tetrad Ventures Pte. Limited	Beneficial Owner	13,227,181	13,227,181	2.34%
GIC Special Investment Pte. Ltd	Interest of Controlled Corporation	13,227,181	13,227,181	2.34%
Government of Singapore Investment Corp.Pte. Ltd	Interest of Controlled Corporation	13,227,181	13,227,181	2.34%
Government of Singapore Investment Corporation (Ventures).Pte. Ltd	Interest of Controlled Corporation	13,227,181	13,227,181	2.34%
Minister for Finance (Incorporated), Singapore	Interest of Controlled Corporation	13,227,181	13,227,181	2.34%

Note 1: PIEL is deemed to be interested in the 233,827,273 Shares held by CFS by virtue of PIEL's 100% interest in CFS. Please also see Note 1 to "Directors' and Chief Executives Officer's Interests and Short Positions" above.

Note 2: (L) - Long Position, (S) - Short Position, (LP) - Lending Pool

Save 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 2010 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, during the six months ended 30 June 2010.

Purchase, Sale or Redemption of Group's Listed Securities

During the six months ended 30 June 2010, the Company has not redeemed, and neither the Company nor any of its subsidiaries had 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 Company has not pledged any of its interests in Shares of the Group to any third-party.

Statement of Sufficiency of Public Interest

As at 26 August 2010, based on the information publicly available to the Company and within the knowledge of the Directors, 58.6% of the Shares were publicly held.

On Behalf of the Board
Edward Han Kiat Tan
Chairman

26 August 2010
Xiamen, PRC

COMPANY INFORMATION

Share Listing

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

Stock Code

The Stock Exchange of Hong Kong Limited: 00589
Bloomberg: 589 HK
Reuters: 0589.HK

Price History

2010	PER SHARE		
MONTH	High(HK$)	Low(HK$)	Total Volume
January	27.20	20.10	38,669,601
February	22.70	17.96	58,609,108
March	22.35	18.72	67,027,760
April	20.90	18.54	66,064,763
May	19.54	15.52	44,182,042
June	20.50	17.52	31,354,314
July	22.20	18.96	30,832,467
Aug	22.30	18.66	39,226,519

Board of Directors

Edward Han Kiat Tan*, *Chairman*
Alfred Kai Tai 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*[1]
Peter Nikolaus Bromberger, *Independent Non-executive Director* [2]
** Executive Director*
Note 1: Ms. Lai's resignation effective from 1 June 2010
Note 2: Mr. Bromberger's appointment effective from 1 June 2010

Company Secretary

Irene Fung Mei Wong

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

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27 Shing Yip Street
Kwun Tong
Kowloon, Hong Kong

Auditors

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

Corporate Counsel

Richards Butler (in association with Reed Smith LLP)
20th Floor, Alexandra House
16-20 Chater Road
Hong Kong

Registrar & Transfer Offices

Principal:
Appleby Management (Bermuda) Ltd
Argyle House
41-A Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch:
Computershare Hong Kong Investor Services Limited
17M, Hopewell Center
183 Queen's Road East
Hong Kong


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Driving Pleasure