PORTS DESIGN LIMITED

(Stock code: 0589)

INTERIM REPORT 2011

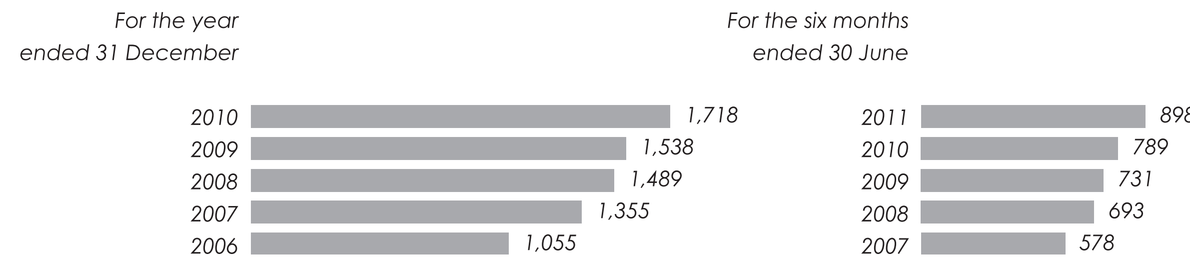
CONTENTS

FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June		For the year ended 31December				
	2011	2010	2010	2009	2008	2007	2006
Results							
Turnover	**898**	789	1,718	1,538	1,489	1,355	1,055
Profit from operations	**286**	227	510	524	454	376	280
Profit attributable to shareholders	**213**	209	473	468	422	397	254
Assets and liabilities							
Non-current assets	**526**	337	396	315	206	175	172
Current assets	**2,008**	1,745	1,871	2,173	1,684	1,186	968
Current liabilities	**765**	589	610	1,123	778	432	226
Net current assets	**1,242**	1,156	1,261	1,050	906	754	742
Total assets less current liabilities	**1,768**	1,493	1,657	1,365	1,112	929	914
Non-current liabilities	**8**	7	8	7	—	—	—
Shareholders' Equity	**1,749**	1,487	1,649	1,358	1,112	929	914

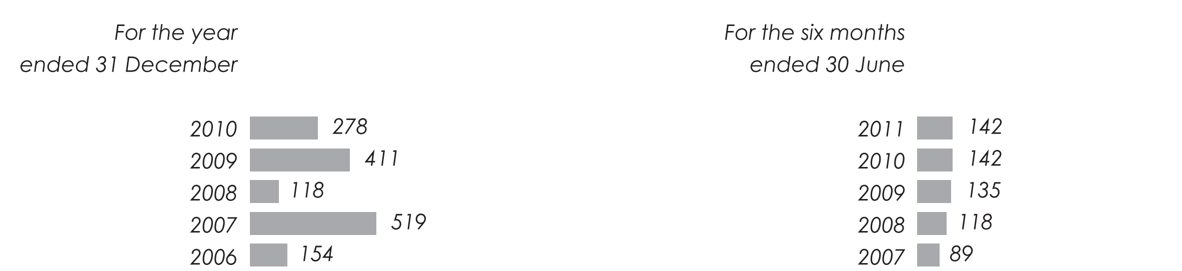
Turnover
(RMB millions)



Profit from Operations
(RMB millions)

Profit Attributable
to Shareholders
(RMB millions)

Dividend History*
(RMB millions)



** Note: The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated. The figure illustrates an interim dividend of RMB0.25 per share, totaling RMB142.2 million declared for the period ended 30 June 2011.*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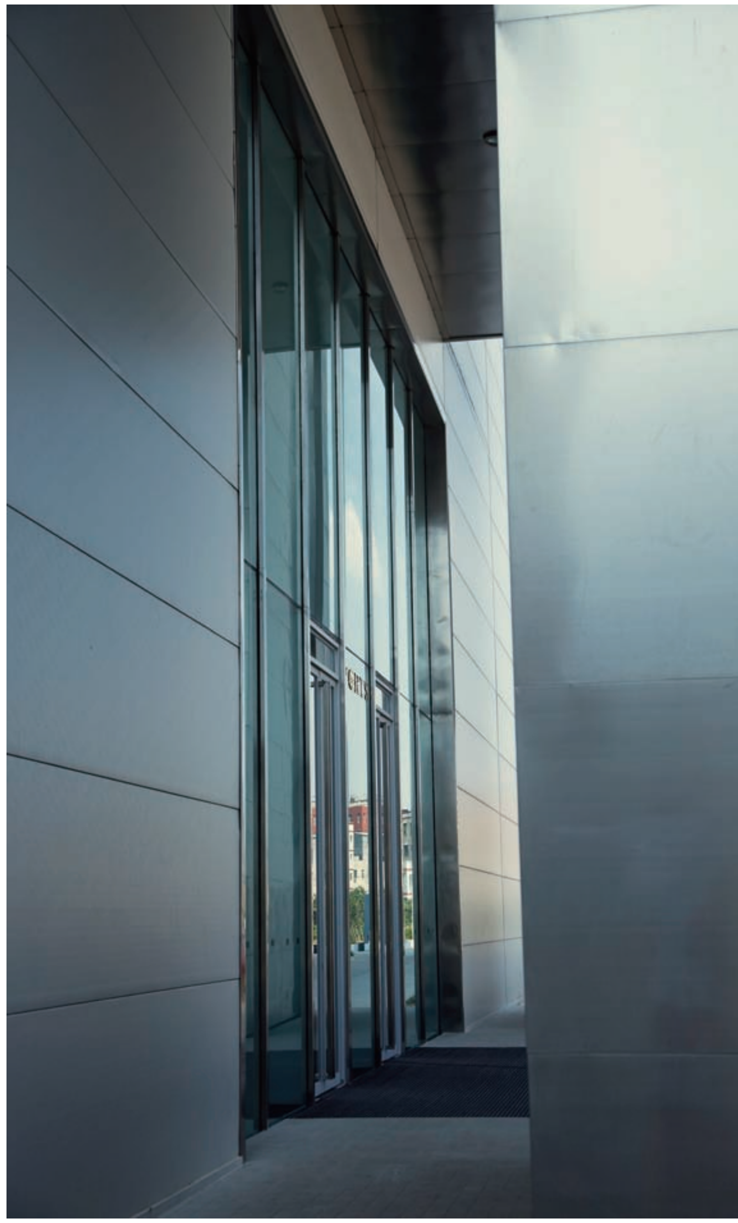

ABOUT PORTS DESIGN LIMITED

PORTS DESIGN LIMITED (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 stores. The Group also holds the rights to wholesale and retail PORTS branded 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 58 cities in Mainland China, including, among others, Beijing, Shanghai, Chongqing, Shenzhen, Wuhan, Xi'an and Dalian. As at 30 June 2011, the Group operated 362 retail stores.

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.

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 brand 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 branded goods.

CHAIRMAN'S STATEMENT

This year marks a refreshing start for the Group amidst the macro economic recovery and, more importantly, the completion of the Retail Network Repositioning Program (the "Program"), which was started from late 2007 and ended in late 2010. The management considers that the strategic goal of the Program in elevating our core PORTS brand further upmarket has been achieved and will bring a positive effect on our retail business operation in the long run.

The Group will continue to develop and promote acceptance of the core PORTS brand as a high-end luxury fashion brand on international front. In the first half of 2011 ("1H2011"), the PORTS brand received another important recognition within the fashion industry: PORTS was awarded "The Best Craftsmanship of the Year Award" in the 2011 Marie Claire Style China fashion event. Organized by the women's fashion magazine *Marie Claire*, the event attracted worldwide participation, with key international luxury fashion brands, including Chanel, Louis Vuitton, Gucci and Dior, all showcasing their designs on the topic of "Crossover" with Chinese elements. Our award-winning creation was a leather gown that combined the brand's flair for fashion with traditional Chinese paper-cutting art. This is no doubt a remarkable achievement and recognition of our talented design team.

Apart from our continuous brand building effort, we also strive to deliver sustainable profit growth to the Group's business on a long-term basis. The Group's strategic and operating performance was in line with the expectation of the management following the completion of the Program and the resumption of positive expansion of the retail stores network. During 1H2011, turnover grew by 13.8% to RMB897.7 million with strong contribution from the retail segment. The management attributes positive expansion of the store network, healthy same store sales growth and well acceptance of the PORTS brand among our retail customers as the primary contributors to the growth in 1H2011.

Improvement in operating efficiencies can be seen in the increase in the Group's gross profit of 16.2%, from RMB630.6 million during the first half of 2010 ("1H2010") to RMB732.9 million in 1H2011. The Group's profit from operations rose 25.8% to RMB286.0 million and profit before taxation grew by 26.6% to RMB297.6 million in 1H2011, as compared with the corresponding period last year. Operating margin increased from 28.8% in 1H2010 to 31.9% in 1H2011, largely attributable by the decline in the non-cash share option expense. However, the Group's net profit margin for 1H2011 declined to 23.8% due to an increase in the effective tax rate. The higher effective tax rate of 28.1% was largely due to the company reaching the unified income tax rate of 25% and the withholding tax on the remittance of dividends to our shareholders, in accordance with the New Tax Law of the PRC.

The retail segment, which has contributed the highest profit margin to the Group among other segments, represents the key driving force of the Group's revenue. The Group recorded a strong retail performance as the retail revenue grew to RMB838.8 million, representing an increase of 14.5% as compared with the same period in 2010. Such increase was driven by healthy same store sales growth, improvement in the average retail selling price and retail store-network expansion.

The successful execution of the Program has resulted in our retail stores being relocated and opened in locations consistent with the brand's high-end luxury fashion positioning. In this regard, the Group has also devoted significant resources to improving in-store presentation and layout, thereby enhancing and facilitating the shopping experience of our customers. These measures were taken with a view to sustaining our long-term future growth potential and placing ourselves in a stronger position amongst the PRC's increasingly competitive high-end luxury fashion market.

In our view, the completion of the Program has only marked the beginning of a new chapter in our long term store network development. Management has relentlessly worked on the expansion of our retail store network within the PRC and we have achieved 9 net store openings during 1H2011, as compared with a 27 net store reductions during the same period in 2010. We currently operate 362 stores in 58 cities within China as of 30 June 2011, which clearly illustrates our position as one of the most popular international fashion brands in the PRC market.

Encouraged by the increasing profit contribution from our menswear category, one of our key store expansion strategies will be to increase the number of PORTS menswear stores in the coming future. To cope with the potential increase in the demand of our menswear products, we have also strengthened our in-house menswear design and development capability by recently setting up a design studio and showroom in Milan, Italy. Our effort has been rewarded by the growing awareness and attention within the fashion industry. We are pleased to announce that we have launched our PORTS 1961 Menswear Spring/Summer 2012 collection during the Milan Menswear Fashion Week in June 2011 with excellent reviews from critics. The fashion preview has attracted global media coverage, including major menswear fashion media like *Vogue, Style.com and Gentlemen's Quarterly (GQ)*. The encouragement and recognition received has provided us with increased confidence in the potential of our menswear category as an important revenue driver in the future.

At the same time, we will not rest on our laurels in the building of the already successful image of our women's category to solidify its popularity among the high-end luxury customers. In order to capture a wider segment of potential customers and strengthen our customers' loyalty to the PORTS brand, we will continue to explore new fashion ideas, broaden our products portfolio and develop new lines as we seek to promptly respond to the ever changing market environment.

A LOOK FORWARD TO THE SECOND HALF OF 2011

In view of the uncertainty in the global economic environment, the management anticipates that turnover for OEM and Others segments may decline gradually due to a reduction in demand from the affected Western economies. Nonetheless, the management expects that any potential impact from these declining segments to be insignificant due to the extremely limited contribution to the Group's profitability from the OEM and Others segment.

On the other hand, the Group is pleased to report that we have moved into the new headquarter facility in Xiamen in July. With the consolidation of our entire operation within one single premise and the enlargement of our manufacturing capacity, operating efficiency and productivity are expected to be enhanced. This will provide a very solid foundation and necessary support to the Group for its future growth.

With regard to the retail stores network development, we will continue to work hard on identifying appropriate locations for the opening of new stores in the second half of 2011 ("2H2011"). A net increase in the store count within the network from now till the year end is expected.

The management is also optimistic towards the sales performance in 2H2011. During July and August, we have noticed a resumption of retail sales growth trend similar to that of 1H2011. Furthermore, the average retail selling price increase of approximately 8% implemented for the 2011 Fall/Winter Collection appears to be well accepted by our customers. This will definitely boost our confidence in achieving a positive and satisfactory result for 2H2011.

The Board remains positive about the future of the Group's business and has recommended the payment of an interim dividend of RMB0.25 per share. The Group will continue to work hard and strive to further execute our strategy to grow the core PORTS brand in the coming years. We believe that our dedication and pursuit of our strategic goals will strengthen our Group in the future years to come and will bring great rewards to all our stakeholders.

Last but not the least, I would like to once again thank the Board and all employees of the Group for their continued dedication, loyalty and contributions to the Group.

Edward Han Kiat Tan
Chairman

25 August 2011
Xiamen, China

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

OVERALL PERFORMANCE

Treasury Management

The main function of the Group's treasury operation determines and sets out financial risk management procedures and policies that correspond to the business principles and policies adopted and approved by the Board of Directors in mitigating the impact and risks associated with foreign exchange rate and interest rate fluctuations, due to the currency exposure of the Hong Kong dollar against the Renminbi, on the Group's overall financial position. The Group's treasury operation also plays the centralized role of adopting sound financial risk management strategies and providing cost-efficient funding for the Company and its subsidiaries.

Turnover

Turnover for the six months ended 30 June 2011 was RMB897.7 million compared to RMB788.9 million for the same period in 2010, representing an increase of 13.8%. 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 licensed brands such as Armani, Versace, Ferrari and Vivienne Tam retail stores. As at 30 June 2011, there were a total of 362 stores in the PRC, including Hong Kong and Macau. Retail turnover generated by these stores in the six months ended 30 June 2011 was RMB838.8 million, compared to RMB732.4 million for the same period in 2010, representing an increase of 14.5%. This increase was driven mainly by an increase in number of units sold in existing stores as well as an increase in the average retail selling price. 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 in the building of 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 fell from RMB45.5 million in 1H2010 to RMB40.2 million in 1H2011, representing a decline of 11.8%. The Management expects that OEM exports will continue to decrease in the second half of 2011 ("2H2011").

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 RMB18.8 million in the six months ended 30 June 2011 compared to RMB11.0 million in the corresponding period in 2010, representing an increase of 71.1%. The Management expects that Others turnover will decline in 2H2011.

Cost of Sales

Cost of sales in 1H2011 amounted to RMB164.8 million (1H2010: RMB158.3 million), representing an increase of 4.1%. Although the Retail segment sales rose, the cost rate of sales for the Retail segment declined due to the benefits of economies of scale and other operational improvements. Cost of sales as a percentage of turnover declined to 18.4%, as compared to 20.1% in the six months ended 30 June 2010.

Gross Profit

As a result of the factors discussed above, the Group's gross profit increased by 16.2%, from RMB630.6 million in the six months ended 30 June 2010 to RMB732.9 million in the six months ended 30 June 2011. The Management is pleased to report that the Group's gross profit margin rose to 81.6%, as compared to 79.9% in the six months ended 30 June 2010. 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 by 16.6%, from RMB620.9 million in the six months ended 30 June 2010 to RMB723.8 million in the six months ended 30 June 2011, while gross margin rose from 84.8% to 86.3% over the same period. The increase in gross margin was mainly due to the increase in average retail selling price and reduced share option expense. Retail gross profit accounts for the Group's 98.8% gross profit, compared to 98.5% in the equivalent period in 2010, reflecting the significance and importance of the Group's operations.

OEM Gross Profit

Gross profit of the OEM segment decreased from RMB6.3 million in 1H2010 to RMB4.7 million in 1H2011, representing a decline of 26.2%. Gross profit margin for the OEM segment fell from 13.9% in 1H2010 to 11.6% in 1H2011. The Group outsources the manufacturing for the OEM segment and the decline in gross profit margin was mainly due to a more competitive and higher sourcing costs in the PRC.

Others Gross Profit

Gross profit of the Others segment increased by 29.8%, from RMB3.4 million in 1H2010 to RMB4.4 million in 1H2011, whilst the gross profit margin declined from 30.9% in 1H2010 to 23.5% in 1H2011. The decline in gross profit margin was mainly due to fewer BMW Lifestyle apparel exports orders from BMW AG in Germany. The Management expects that the gross profit of the Others segment will slightly increase in 2H2011.

Other Revenue

Other revenue increased by 420.1%, from RMB9.7 million in 1H2010 to RMB50.2 million in 1H2011. 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. The Company received unconditional cash grant of RMB40.3 million from the local Xiamen Government during 1H2011. Royalty income grew by 35.3%, to RMB4.2 million in 1H2011 due to the strong PORTS brand equity. Store design and decoration income declined by 11.6% to RMB4.0 million due to an increase in store construction cost.

Operating Expenses

Operating expenses increased from RMB413.0 million in 1H2010 to RMB497.0 million in 1H2011, representing an increase of 20.4%. 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 23.7%, from RMB345.6 million in 1H2010 to RMB427.6 million in 1H2011. Distribution costs consist mainly of salaries and benefits, leasehold improvement fee and advertising costs from retail operations. Distribution costs as a percentage of retail turnover increased to 51.0% in 1H2011 (1H2010: 47.2%).

Rental expense for retail network increased by 14.0%, from RMB175.0 million in 1H2010 to RMB199.4 million in 1H2011. Rental expense as a percentage of Retail turnover declined to 23.8% in 1H2011 (1H2010: 23.9%).

Salaries and benefit expenses resulting from retail operations increased by 27.3%, from RMB69.6 million in 1H2010 to RMB88.6 million in 1H2011. Salaries and benefit expenses as a percentage of retail turnover was at 10.6% in 1H2011 (1H2010: 9.5%).

Other components of distribution costs also experienced increases. Store and mall expenses increased by 27.4%, from RMB29.0 million in 1H2010 to RMB37.0 million in 1H2011 as the upgrading of the existing department store concessions and mall locations continued.

Depreciation expenses increased by 36.9%, from RMB27.9 million in 1H2010 to RMB38.2 million in 1H2011, mainly due to increase in the 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 20.5%, from RMB22.8 million in 1H2010 to RMB27.4 million in 1H2011. However, the advertisement costs as a percentage of Retail revenue maintained stable at 3.3% (1H2010: 3.1%), demonstrating the Group's ability to continue to enjoy increasing economies of scale with advertising expenses.

Administrative Expenses

Administrative expenses declined by 5.8% to RMB40.5 million in 1H2011 (1H2010: RMB43.0 million). This was mainly due to a decline in staff salaries and benefits (including share based payments).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, declined by 26.6%, from RMB34.7 million in 1H2010 to RMB25.5 million in 1H2011. In 1H2011, salaries and benefits for administrative staff as a percentage of total Group's turnover was at 2.8% (1H2010: 4.4%).

Other Operating Expenses

Other operating expenses increased by 18.6%, from RMB24.4 million in 1H2010 to RMB29.0 million in 1H2011. This increase was mainly due to an increase in stock provisions. In 1H2011, the stock provision as a percentage of Retail turnover remained stable at 3.5% (1H2010: 3.3%).

Profit from Operations

As a result of the factors discussed above, the Group's profit from operations grew by 25.8%, from RMB227.3 million in the six months ended 30 June 2010 to RMB286.0 million in the six months ended 30 June 2011. The operating margin increased from 28.8% in 1H2010 to 31.9% in 1H2011. The increase in profitability is largely due to the decline in the non-cash charge of employee share option expense, decrease of the cost rate of sales, as well as other factors discussed above.

Net Finance Income

Net finance income increased from RMB7.8 million in 1H2010 to RMB11.5 million in 1H2011, representing an increase of 47.8%. In 1H2011, the Group reported a gain of RMB5.2 million in exchange income compared to a RMB2.4 million in 1H2010. 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 the Renminbi ("RMB").

Income Tax

The Group's income tax expense increased by 210.5%, from RMB27.0 million for the six months ended 30 June 2010 to RMB83.7 million for the corresponding period in 2011, as the effective income tax rate increased from 11.5% of profit before tax in 1H2010 to 28.1% of profit before tax in 1H2011. The significant increase in the effective tax rate is largely due to the Company reaching the unified income tax rate of 25%, plus the withholding tax on the remittance of dividends to shareholders, in accordance to the New Tax Law.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders increased by 1.8% to RMB213.1 million in 1H2011 (1H2010: RMB209.2 million). The Group's net profit margin declined to 23.8% in 1H2011, as compared to 26.4% in 1H2010 due to the significant increase in the effective income tax rate.

Financial Position, Liquidity and Gearing Ratio

The Group continues to be in a strong financial position, with significant cash reserves. As at 30 June 2011, the Group had approximately RMB1,082.7 million in cash, cash equivalents, time deposits and pledged bank deposits with major banks, compared with RMB1,014.6 million as at 31 December 2010. The Group also had access to significant bank loans and overdraft facilities, and had outstanding bank borrowings of RMB447.2 million as at 30 June 2011, as compared to RMB355.8 million as at year end 31 December 2010. The Group's total principal amounts of bank borrowings are denominated as to 10.7% in RMB, 89.3% in HK dollars. The Group paid out cash dividend of RMB136.5 million during 1H 2011, as compared to RMB140.9 million in the corresponding period last year. As at 30 June 2011, the Group's gearing ratio was 25.6%, based on outstanding bank debt and equity of approximately RMB1,749.3 million. The Group's gearing ratio was 21.6% as at 31 December 2010. As at 30 June 2011, the current ratio was 2.6, based on current assets of RMB2,007.7 million and current liabilities of RMB765.3 million (FY2010: 3.1). As at 30 June 2011, the Group's total principal amounts of bank loans were at fixed rates.

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 2011.

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 the PRC 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 the PRC in the medium and long-term basis. In 1H2011, the Group reported RMB5.2 million exchange income, as compared to an RMB2.4 million exchange gain over the corresponding period in 2010. The Group does not engage in any currency hedging activities as it considers that its current 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 Group is of the view that the RMB will appreciate against the US$ in the medium and longer term, and hence, will continue to hold significant portion of cash in RMB.

Capital Commitments & Contingent Liabilities

As at 30 June 2011, the Group had capital commitments of RMB54.4 million, which was authorized but not contracted for. The Group had no material contingent liabilities as at 30 June 2011.

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 shares of the Company on 31 October 2003 provided an additional source of working capital. As at 30 June 2011, the Group had cash, cash equivalents, time deposits and pledged bank deposits of RMB1,082.7 million, denominated principally in RMB, HK$, US$ and Euro, representing an increase of 6.7% from 31 December 2010. Net cash inflows from operating activities decreased by 11.9% to RMB188.4 million in 1H2011, compared to RMB213.9 million for the same period in 2010. The Group currently has outstanding interest-bearing debt obligations of RMB447.2 million.

Charges on Assets

As at 30 June 2011, the Group's bank deposits of RMB407.2 million were pledged to secure banking facilities and bank borrowings granted to the Group.

Human Resources

As at 30 June 2011, the Group had approximately 5,126 employees. Total personnel expenses, comprising wages, salaries and benefits, amounted to RMB162.1 million in 1H2011, as compared to RMB142.7 million for the same period in 2010.

Post-Balance Sheet Date Developments

After the balance sheet date, the Directors have declared an interim dividend of RMB0.25 per share based on 568,675,147 ordinary shares in issue as at 30 June 2011, amounting in aggregate to RMB142.2 million to be paid on 20 December 2011 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 2 November 2011.

Significant Events

There have been no significant events in affecting the Group which have occurred in 1H2011. There have been no material changes in the development of the business of the Group during the financial period and of their financial position as at 30 June 2011 and there have been no material changes in respect of likely future developments in the business of the Group, including the Company's prospects for the current financial year.

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

During the six months ended 30 June 2011, 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").

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest levels of corporate governance. During the six months ended 30 June 2011, the Company has been in full compliance with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules and with the Model Code for Securities Transactions by Directors of Listed Issuers.

PORTS DESIGN LIMITED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 27 to 46 which comprises the consolidated balance sheet of Ports Design Limited as of 30 June 2011 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 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

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

25 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2011 (unaudited)
(Expressed in thousands of Renminbi Yuan, except share and per share data)

		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Turnover	3	**897,699**	788,949
Cost of sales		**(164,834)**	(158,304)
Gross profit		**732,865**	630,645
Other revenue	4	**50,194**	9,651
Distribution costs		**(427,563)**	(345,558)
Administrative expenses		**(40,485)**	(42,998)
Other operating expenses		**(28,963)**	(24,414)
Profit from operations		**286,048**	227,326
Finance income		**13,709**	11,462
Finance costs		**(2,207)**	(3,682)
Net finance income	5(a)	**11,502**	7,780
Profit before taxation	5	**297,550**	235,106
Income tax	6	**(83,748)**	(26,968)
Profit for the period		**213,802**	208,138
Other comprehensive income for the period, net of income tax		**—**	—
Total comprehensive income for the period		**213,802**	208,138
Profit attributable to:			
Equity shareholders of the Company		**213,103**	209,241
Non-controlling interests		**699**	(1,103)
Profit for the period		**213,802**	208,138
Total comprehensive income attributable to:			
Equity shareholders of the Company		**213,103**	209,241
Non-controlling interests		**699**	(1,103)
Total comprehensive income for the period		**213,802**	208,138
Earnings per share (RMB)			
— Basic	7	**0.37**	0.37
— Diluted	7	**0.37**	0.37

The notes on pages 31 to 46 form part of this unaudited interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED BALANCE SHEET
at 30 June 2011 (unaudited)
(Expressed in thousands of Renminbi Yuan)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Lease prepayments		**3,399**	3,442
Property, plant and equipment	*10*	**477,617**	349,040
Deferred tax assets		**44,780**	43,174
		525,796	395,656
Current assets			
Inventories	*11*	**601,623**	544,860
Trade and other receivables, deposits and prepayments	*12*	**323,339**	311,553
Fixed deposits with banks		**297,193**	164,938
Pledged bank deposits		**407,162**	501,929
Cash and cash equivalents	*14*	**378,366**	347,735
		2,007,683	1,871,015
Current liabilities			
Trade payables, other payables and accruals	*15*	**266,156**	230,423
Interest-bearing borrowings	*16*	**447,168**	355,783
Current taxation		**51,942**	23,473
		765,266	609,679
Net current assets		**1,242,417**	1,261,336
Total assets less current liabilities		**1,768,213**	1,656,992
Non-current liabilities			
Deferred tax liabilities		**8,373**	8,423
		8,373	8,423
Net assets		**1,759,840**	1,648,569
Capital and reserves			
Share capital	*17*	**1,503**	1,501
Reserves		**1,747,838**	1,647,068
Total equity attributable to equity shareholders of the Company		**1,749,341**	1,648,569
Non-controlling interests		**10,499**	—
Total equity		**1,759,840**	1,648,569

Approved and authorised for issue by the board of directors on 25 August 2011.

Edward Han Kiat Tan
Chairman

The notes on pages 31 to 46 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2011 (unaudited)
(Expressed in thousands of Renminbi Yuan)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Cash generated from operations		**245,352**	270,254
Income tax paid		**(56,936)**	(56,345)
Net cash generated from operating activities		**188,416**	213,909
Net cash used in investing activities		**(126,038)**	(135,874)
Net cash used in financing activities		**(31,747)**	(626,610)
Net increase/(decrease) in cash and cash equivalents		**30,631**	(548,575)
Cash and cash equivalents at 1 January	*14*	**347,735**	793,821
Cash and cash equivalents at 30 June	*14*	**378,366**	245,246

The notes on pages 31 to 46 form part of this unaudited interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2011 (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 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	8(b)	—	—	—	—	—	—	(135,677)	(135,677)	—	(135,677)
Shares issued under share option scheme	17	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
Balance at 1 January 2011		1,501	94,581	61,419	512,854	54,634	—	923,580	1,648,569	—	1,648,569
Dividends to equity holders	8(b)	—	—	—	—	—	—	(136,476)	(136,476)	—	(136,476)
Shares issued under share option scheme	17	2	(1,657)	—	8,028	—	—	—	6,373	—	6,373
Equity settled share-based transaction		—	17,772	—	—	—	—	—	17,772	—	17,772
Capital contribution from non-controlling shareholder		—	—	—	—	—	—	—	—	9,800	9,800
Total comprehensive income for the period		—	—	—	—	—	—	213,103	213,103	699	213,802
Balance at 30 June 2011		1,503	110,696	61,419	520,882	54,634	—	1,000,207	1,749,341	10,499	1,759,840

The notes on pages 31 to 46 form part of this unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2011
(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 2011 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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 2010.

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 26.

The financial information relating to the financial year ended 31 December 2010 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 2010 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 2011.

2. Changes in accounting policies

The IASB has issued 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:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

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 result 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 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2011
(Expressed in thousands of Renminbi Yuan)

3. Segment reporting *(continued)*

(a) Segment result and assets *(continued)*

	Six months ended 30 June							
	Retail		**OEM**		**Others (i)**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**838,772**	732,436	**40,162**	45,546	**18,765**	10,967	**897,699**	788,949
Reportable segment revenue	**838,772**	732,436	**40,162**	45,546	**18,765**	10,967	**897,699**	788,949
Reportable segment profit	**420,060**	350,396	**4,668**	6,326	**4,405**	3,392	**429,133**	360,114

	Retail		**OEM**		**Others (i)**		**Total**	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
Reportable segment assets	**590,587**	535,037	**4,160**	4,698	**6,876**	5,125	**601,623**	544,860

(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.

3. Segment reporting *(continued)*

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**878,934**	777,982
Other revenue	**18,765**	10,967
Consolidated turnover	**897,699**	788,949
Profit		
Reportable segment profit	**424,728**	356,722
Other profit	**4,405**	3,392
	429,133	360,114
Other revenue	**50,194**	9,651
Distribution costs	**(123,831)**	(75,027)
Administrative expenses	**(40,485)**	(42,998)
Other operating expenses	**(28,963)**	(24,414)
Net finance income	**11,502**	7,780
Consolidated profit before taxation	**297,550**	235,106

	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**594,747**	539,735
Other inventories	**6,876**	5,125
Consolidated inventories	**601,623**	544,860
Non-current assets	**525,796**	395,656
Trade and other receivables, deposits and prepayments	**323,339**	311,553
Pledged bank deposits	**407,162**	501,929
Fixed deposits with banks	**297,193**	164,938
Cash and cash equivalents	**378,366**	347,735
Consolidated total assets	**2,533,479**	2,266,671

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2011
(Expressed in thousands of Renminbi Yuan)

4. Other revenue

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Liaison service income	**332**	349
Royalty income	**4,233**	3,129
Design and decoration income	**4,008**	4,533
Insurance compensation	**1,274**	959
Government subsidy (i)	**40,300**	—
Others	**47**	681
	50,194	9,651

(i) The subsidy received from local government authorities is unconditional. The Group may not receive government subsidy in the future.

5. Profit before taxation

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
(a) Net finance income		
Interest income from bank deposits	**(8,529)**	(9,032)
Net foreign exchange gain	**(5,180)**	(2,430)
Finance income	**(13,709)**	(11,462)
Interest expense on bank loans repayable within five years	**2,489**	3,673
Less: Interest expense capitalised into property, plant and equipment	**(1,371)**	(759)
Interest expense, net	**1,118**	2,914
Others	**1,089**	768
Finance costs	**2,207**	3,682
Net finance income	**(11,502)**	(7,780)
(b) Other items		
Operating leases charges in respect of properties		
— minimum lease payments	**47,063**	43,230
— contingent rents	**152,343**	131,742
	199,406	174,972
Depreciation	**42,015**	31,777
Amortisation — lease prepayments	**42**	42
Cost of inventories (note 11)	**193,797**	182,718

6. Income tax

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Current tax — PRC income tax	**78,220**	31,118
Deferred taxation	**5,528**	(4,150)
	83,748	26,968

(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 2011 and 2010 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, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008. As at 30 June 2011, deferred tax liabilities of RMB 64,643 thousand (31 December 2010: 59,583 thousand) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these 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 2011
(Expressed in thousands of Renminbi Yuan)

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB 213,103 thousand (2010: RMB 209,241 thousand) and the weighted average number of 568,453,223 (2010: 565,369,410) 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 2011 is based on the profit attributable to equity shareholders of the Company of RMB 213,103 thousand (2010: RMB 209,241 thousand) and the weighted average number of 572,716,901 (2010: 568,469,768) 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	
	2011	2010
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 30 June	**568,453,223**	565,369,410
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 18)	**4,263,678**	3,100,358
Weighted average number of ordinary shares (diluted) at 30 June	**572,716,901**	568,469,768

8. Dividends

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interim dividend proposed after the balance sheet date of RMB0.25 per share (2010: RMB0.25 per share)	**142,169**	141,505

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 568,675,147 ordinary shares in issue as at 30 June 2011 (30 June 2010: 566,018,279 ordinary shares).

(Expressed in thousands of Renminbi Yuan)

8. Dividends *(continued)*

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Special interim dividend approved in the previous financial year and paid during the period of RMB nil per share (2010: RMB0.25 per share)	**—**	140,942
Final dividend in respect of the previous financial year, approved during the period of RMB0.24 per share (2010: RMB0.24 per share)	**136,476**	135,677

In respect of the final dividend for the year ended 31 December 2010, there was a difference of RMB138 thousand between the final dividend proposed in the 2010 annual report and the amount eventually approved and paid during the six months ended 30 June 2011. 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 2010 were actually paid.

9. Related party transactions

Transactions with the following entities are considered as related party transactions for the six months ended 30 June 2011 and 30 June 2010.

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

9. Related party transactions *(continued)*

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 2011 and 2010 are as follow:

(a) Transactions with parent companies and fellow subsidiaries

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	**10,325**	7,724
Interest-free advances to:		
Ports International Enterprises Limited	**67,953**	89,532
Ports International Retail Corporation	**—**	2,914
Repayment of interest-free advances from:		
Ports International Enterprises Limited	**65,843**	89,532
Ports International Retail Corporation	**—**	2,914
Expenditure paid by the Group on behalf of:		
Ports International Retail Corporation	**525**	216
Ports International Group Limited	**—**	187
Expenses re-imbursement made from:		
Ports International Retail Corporation	**525**	216
Ports International Group Limited	**—**	187
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	**12,483**	8,430

(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 RMB46,312 thousand for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB26,675 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.

9. Related party transactions *(continued)*

(b) Transactions with key management personnel

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**1,263**	1,234
Equity compensation benefits	**511**	938

(c) The Group participates in a defined contribution plan managed by the local government authorities 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 RMB5,314 thousand for the six-month period ended 30 June 2011 (six-month period ended 30 June 2010: RMB4,903 thousand)

As at 30 June 2011 and 31 December 2010, there was no material outstanding contribution to post-employment benefit plans.

10. Property, plant and equipment

	2011	2010
	RMB'000	*RMB'000*
Cost:		
Balance at 1 January	**576,906**	449,313
Acquisitions for the period/year	**170,649**	150,281
Disposals for the period/year	**(24,965)**	(22,688)
Balance at 30 June/31 December	**722,590**	576,906
Depreciation:		
Balance at 1 January	**227,866**	187,233
Depreciation charge for the period/year	**42,015**	62,381
Disposals for the period/year	**(24,908)**	(21,748)
Balance at 30 June/31 December	**244,973**	227,866
Net book value:		
At 30 June/31 December	**477,617**	349,040

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2011
(Expressed in thousands of Renminbi Yuan)

11. Inventories

Inventories comprise:

	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**115,450**	100,196
Work in progress	**42,702**	35,864
Finished goods	**442,693**	405,836
Goods in transit	**778**	2,964
	601,623	544,860

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cost of goods sold	**164,834**	158,304
Stock provision	**28,963**	24,414
	193,797	182,718

12. Trade and other receivables, deposits and prepayments

	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
Accounts receivable	**147,092**	174,756
Amounts due from related companies (note 13)	**7,968**	24,898
Advances to suppliers	**45,444**	33,948
Other receivables, deposits and prepayments	**122,835**	77,951
	323,339	311,553

12. Trade and other receivables, deposits and prepayments *(continued)*

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

	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Current	**104,365**	144,595
Less than 1 month past due	**29,784**	20,094
1-3 months past due	**12,154**	10,035
Over 3 months but less than 12 months past due	**789**	32
Amounts past due	**42,727**	30,161
	147,092	174,756

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

13. Amounts due from related companies

	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Amounts due from		
Ports International Retail Corporation	**3,104**	2,980
Ports International Enterprises Limited	**2,110**	—
PCD Stores (Group) Limited and its subsidiaries	**2,754**	21,918
	7,968	24,898

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
for the six months ended 30 June 2011
(Expressed in thousands of Renminbi Yuan)

14. Cash and cash equivalents

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

	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Cash at bank and on hand	**200,036**	185,627
Time deposits with banks	**178,330**	162,108
	378,366	347,735

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

15. Trade payables, other payables and accruals

	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Accounts payable	**93,565**	100,243
Other creditors and accruals	**172,587**	130,157
Dividends payable to the equity shareholders of the Company	**4**	23
	266,156	230,423

An ageing analysis of accounts payable is as follows:

	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Due within 1 month or on demand	**48,502**	85,992
Due after 1 month but within 3 months	**39,626**	10,525
Due after 3 month but within 6 months	**3,346**	2,117
Due after 6 month but within 12 months	**968**	1,186
Due after 1 year but within 2 years	**1,123**	423
	93,565	100,243

(Expressed in thousands of Renminbi Yuan)

16. Interest-bearing borrowings

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Bank loans — unsecured	**48,000**	—
Bank loans — secured	**399,168**	355,783
Total	**447,168**	355,783

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

As at 30 June 2011, the banking facilities of the Group were secured by certain subsidiaries' fixed deposits of RMB407,162 thousand (31 December 2010: RMB501,929 thousand) placed with banks located in the PRC and Hong Kong. The Renminbi equivalent of such banking facilities of the Group amounted to RMB761,226 thousand (31 December 2010: RMB829,628 thousand), of which RMB447,168 thousand were utilised as at 30 June 2011 (31 December 2010: RMB355,783 thousand).

17. Share capital

During the six months ended 30 June 2011, 600,250 ordinary shares of HK$0.0025 each of the Company were issued for a total cash consideration of HK$7,564 thousand (equivalent to RMB6,373 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 18.

18. 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 2010.

A summary of option movements for the six months ended 30 June 2011 is presented below:

	Six months ended 30 June 2011		Year ended 31 December 2010	
	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$16.123**	**28,490,026**	HK$15.592	33,223,809
Exercised	**HK$12.601**	**(600,250)**	HK$11.915	(4,305,311)
Cancelled	**HK$17.320**	**(250,076)**	HK$17.320	(428,472)
Outstanding at end of period/year	**HK$16.187**	**27,639,700**	HK$16.123	28,490,026
Exercisable at the end of period/year	**HK$14.718**	**12,037,235**	HK$14.620	12,650,352

During the six months ended 30 June 2011, none of the Company's directors exercised options to subscribe for shares in the Company (2010: none).

Details of share options exercised during the six months ended 30 June 2011 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$21.06	HK$224,613	85,567
1 September 2006	HK$11.68	HK$20.61	HK$3,262,002	279,281
14 July 2009	HK$17.32	HK$20.04	HK$4,077,163	235,402

(Expressed in thousands of Renminbi Yuan)

19. Commitments

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Less than one year	**62,163**	72,324
Between one and five years	**55,181**	64,947
More than five years	**1,362**	2,641
	118,706	139,912

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 2011 and 31 December 2010 but not provided for in the interim financial report were as follows:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Contracted for	**—**	47,563
Authorised but not contracted for	**54,364**	163,500
	54,364	211,063

20. Subsequent event

After the balance sheet date, the directors proposed an interim dividend on 25 August 2011. Further details are disclosed in note 8.

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 2011.

Interim Dividend and Closure of Register of Members

The earnings for the Group for the six months ended 30 June 2011 are RMB213.8 million. The Directors have declared an interim dividend of RMB 0.25 per share for the six months ended 30 June 2011, totaling RMB142.2 million based on 568,675,147 ordinary shares in issue as at 30 June 2011.

The interim dividend will be payable on 20 December 2011. The register of members will be closed from 3 November 2011 to 7 November 2011, 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 4:30 p.m., 2 November 2011.

Directors

The Directors of PORTS during the six months ended 30 June 2011 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		Mr. Peter Nikolaus Bromberger

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

As at 30 June 2011, 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	Total interest	Percentage of total issued Shares
Mr. Edward Han Kiat Tan[1]	250,000(L)[2]	233,827,273(L)	234,077,273(L)	41.16%(L)
	0	52,394,000(S)	52,394,000(S)	9.21%(S)
Mr. Alfred Kai Tai Chan[1]	250,000(L)[2]	233,827,273(L)	234,077,273(L)	41.16%(L)
	0	52,394,000(S)	52,394,000(S)	9.21%(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 Wei Lynn Fong	110,000(L)[2]	0	110,000(L)	<0.02%(L)
Mr. Peter Nikolaus Bromberger	0	0	0	0

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 41.16% 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 options granted by the Company under its share option scheme.

(ii) Share Options

	Number of outstanding share options	Percentage of issued share capital (%)
Mr. Edward Han Kiat Tan	250,000	0.04
Mr. Alfred Kai Tai Chan	250,000	0.04
Ms. Pierre Frank Bourque	130,000	0.02
Mr. Rodney Ray Cone	110,000	<0.02
Mr. Valarie Fong Wei Lynn	110,000	<0.02

As at 30 June 2011, other than the holdings disclosed above, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a Share Option Scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003:

1. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the Scheme are (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group holds an equity interest ("Invested Entity"), including any executive director of the Company, any of its subsidiaries or any Invested Entity; (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

3. Unless otherwise approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

4. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ("Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

5. An option may be accepted by a participant within 28 days from the Offer Date of grant of the option.

6. The subscription price for shares under the Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the Offer Date; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

7. The options granted under the Scheme shall be exercisable within a period of 10 years commencing on 3 November 2003 for the initial share option grant, 1 September 2006 for the second share option grant and 14 July 2009 for the third share option grant, respectively.

Details of the share options outstanding as at 30 June 2011 under the Scheme were as follows:

First Share option granted on 3 November 2003

	Options held at 1/1/2011	Options granted during the period	Options Exercised during the period *(Note 1)*	Options cancelled during the period	Exercise price per option *(HK$)*	Options held at 30/06/2011	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Kai Tai Chan	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 Wei Lynn Fong	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Mr. Peter Nikolaus Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	405,494	0	85,567	0	2.625	319,927	3 Nov 2003	2 Nov 2013

Second Share option granted on 1 September 2006

	Options held at 1/1/2011	Options granted during the period	Options Exercised during the period *(Note 1)*	Options cancelled during the period	Exercise price per option *(HK$)*	Options held at 30/06/2011	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Kai Tai Chan	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 Wei Lynn Fong	0	0	0	0	N/A	0	N/A	N/A
Mr. Peter Nikolaus Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	4,606,857	0	279,281	0	11.68	4,327,576	1 Sep 2006	31 Aug 2016

Third Share option granted on 14 July 2009

	Options held at 1/1/2011	Options granted during the period	Options Exercised during the period *(Note 1)*	Options cancelled during the period	Exercise price per option *(HK$)*	Options held at 30/06/2011	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Alfred Kai Tai Chan	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 Wei Lynn Fong	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Mr. Peter Nikolaus Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	22,627,675	0	235,402	250,076	17.32	22,142,197	14 Jul 2009	13 Jul 2019

Note:

1. *The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$20.45.*

On and subject to the terms of the 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 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 2011, 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:

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	233,827,273(L)	233,827,273(L)	41.12%(L)
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	233,827,273(L)	233,827,273(L)	41.12%(L)
	Beneficial Owner	52,394,000(S)	52,394,000(S)	9.21%(S)
(b) Other persons				
JP Morgan Chase & Co	Investment Manager	48,588,733(L) 900,000(S) 26,927,233(LP)	48,588,733(L) 900,000(S) 26,927,233(LP)	8.54%(L) 0.16%(S) 4.74%(LP)
Government of Singapore Investment Corp. Pte. Ltd	Interest of Controlled Corporation	34,134,817(L)	34,134,817(L)	6.00%(L)
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interest of Controlled Corporation	13,227,181(L)	13,227,181(L)	2.32%(L)
Minister for Finance (Incoporated)	Interest of Controlled Corporation	13,227,181(L)	13,227,181(L)	2.32%(L)
Tetrad Ventures Pte. Limited	Beneficial Owner	13,227,181(L)	13,227,181(L)	2.32%(L)

Notes:

1. *PIEL is deemed to be interested in the 233,827,273 Shares held by CFS by virtue of PIEL's interest in CFS. Please also see Note 1 on page 49.*

2. *(L) – Long Position, (S) – Short Position and (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 2011 as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interest 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 2011.

COMPANY INFORMATION

LISTING 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: 589
Bloomberg: 589 HK
Reuters: 0589.HK

Price History

2011	PER SHARE		
MONTH	High (HK$)	Low (HK$)	Total Volume
January	22.75	20.60	25,598,068
February	22.80	18.46	34,147,370
March	19.76	17.40	35,450,962
April	22.20	17.72	37,261,146
May	22.80	19.24	25,994,727
June	20.30	17.72	27,059,552
July	18.62	15.68	72,818,912
August	16.96	12.40	42,918,703

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
Peter Nikolaus Bromberger,
Independent Non-executive Director

* *Executive Director*

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
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10 Chater Road
Central Hong Kong

Corporate Counsel

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Hong Kong

Registrar & Transfer Offices

Principal:
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Bermuda

Hong Kong Branch:
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183 Queen's Road East
Hong Kong


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