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PORTS[®]
INTERNATIONAL
PORTS DESIGN LIMITED

寶姿時裝有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 589)

**(1) PAST DISCLOSEABLE TRANSACTIONS AND CONNECTED
TRANSACTIONS;**

(2) INTERNAL CONTROL REVIEW; AND

(3) RESIGNATION OF DIRECTOR

INTRODUCTION

Reference is made to the March 2012 Announcement and the 2011 Results Announcement.

The Board announces that the Group entered into certain transactions with Jiazhong, Edward Tan, PIEL, Ports 1961 SpA and PKL which should have been disclosed in the past as discloseable transactions and connected transactions.

Between the period of 1 January 2010 and 11 May 2012, there were interest-free advances from the Group to Jiazhong which were repaid from time to time. All outstanding sums owed to the Group by Jiazhong have been repaid in full as at 15 May 2012 and no further advance will be made between the Group and Jiazhong.

During 2010, CPAX made three interest-free advances to Edward Tan. Separately in 2011, CPAX made two advances to Edward Tan and on 5 April 2012, the parties entered into an agreement which confirmed the two advances in 2011 with an effective interest rate of 6.56% per annum. Full repayment of the outstanding principal (and interest thereon, with respect to the 2011 Tan Advances) were made by Edward Tan to CPAX in respect of the three interest-free advances in 2010 and the two interest-bearing advances in 2011 on 15 May 2012. The above arrangements were one-off and no further advances will be made by the Group to Edward Tan.

Between the period of 1 January 2010 and 11 May 2012, there were interest-free advances from the Group to PIEL and Ports 1961 SpA. At the same time, PIEL made interest-free advances to the Group. The interest-free advances were repaid from time to time. All outstanding sums in relation to such interest-free advances have been settled in full as at 16 May 2012.

Between the period of 1 January 2010 and 11 May 2012, the Group granted interest-free advances to PKL. All outstanding sums in relation to such interest-free advances have been repaid in full to the Group as at 15 May 2012.

LISTING RULES IMPLICATIONS

As the applicable Percentage Ratios (as defined in the Listing Rules) in respect of the interest-free advances between the Group and Jiazhong in each of 2010 and 2011 exceeded 5% (but did not exceed 25%), they would have constituted a discloseable transaction on the part of the Company. The interest-free advances between the Group and Jiazhong should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Furthermore, as the maximum amount of advances were more than 8% of the total assets of the Group during 2010, the Company should have complied with the disclosure requirements under Rule 13.13 of the Listing Rules.

As Edward Tan is a connected person of the Company, the three advances in 2010 and the two advances in 2011 constituted financial assistance by the Company to a connected person under Chapter 14A of the Listing Rules. As each of the applicable Percentage Ratios (as defined in the Listing Rules) exceeded 0.1% but is less than 5%, the three advances in 2010 and the two advances in 2011 should have been subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval under Rule 14A.66 of the Listing Rules.

PIEL is a connected person of the Company while Ports 1961 SpA is an associate of a connected person of the Company. PKL is wholly-owned by the nephew of Alfred Chan and Edward Tan and is an associate of connected persons of the Company. As a result, the interest-free advances between the Group and each of PIEL, Ports 1961 SpA and PKL constituted financial assistance by the Company to connected persons under Chapter 14A of the Listing Rules.

As the applicable Percentage Ratios (as defined in the Listing Rules) for the advances between the Group and each of Ports 1961 SpA and PKL in 2010 and 2011, and between the Group and PKL in 2011, exceeded 0.1% but were less than 5%, they should have been subject to the reporting and announcement requirements, but are exempt from independent shareholders' approval requirements under Rule 14A.66 of the Listing Rules.

As the applicable Percentage Ratios (as defined in the Listing Rules) for the advances between the Group and PIEL for 2010 exceeded 5%, they should have been subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Furthermore, as the applicable Percentage Ratios (as defined in the Listing Rules) in respect of the advances between the Group and PIEL for 2010 exceeded 5% (but did not exceed 25%), these advances would have constituted a discloseable transaction on the part of the Company and should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

REMEDIAL MEASURES TAKEN BY THE COMPANY

The Directors have, on 18 May 2012, held a board meeting to ratify, confirm and approve the abovementioned interest-bearing advances and interest-free advances. In addition, the Board also accepted the resignation of Edward Tan as an executive Director and chairman of the Company with effect from 18 May 2012.

Furthermore, the Company has appointed FTI Consulting, an independent professional adviser, to conduct a thorough review of and make recommendations to improve the Company's internal controls since discovering the Transactions. The Company will consult with and seek advice from the internal control adviser with regards to the implementation of the adviser's recommendations so as to ensure future compliance with the Listing Rules. The Company will announce separately the results of the internal control review, the recommendations of the internal control adviser and the measures the

Company will adopt pursuant to the advice given.

I. INTRODUCTION

Reference is made to the March 2012 Announcement and the 2011 Results Announcement. The Board announces that the Group entered into certain transactions with Jiazhong, Edward Tan, PIEL, Ports 1961 SpA and PKL the details of which are set out below under the section headed “The Transactions”.

II. THE TRANSACTIONS

1. Advances by the Group to Jiazhong

Between the period of 1 January 2010 and 11 May 2012, there were interest free advances from PAHL made through its PRC subsidiaries to Jiazhong (“Jiazhong Advances”) which were repaid from time to time, with a maximum amount outstanding of approximately RMB 283,277,000 during 2010 and approximately RMB 164,037,000 during 2011. All outstanding sums owed to PAHL by Jiazhong have been repaid in full to PAHL as at 15 May 2012 and no further advance will be provided to Jiazhong by PAHL or any Group company.

Reason for the transaction

Jiazhong has for a number of years assisted the Group in arranging retail and wholesale outlets and obtaining the relevant operating licences from the relevant PRC local governments in eight cities, including Dalian, Chongqing and Chengdu for no consideration. Jiazhong has also facilitated the sourcing of Armani, Versace and Ferrari merchandise from Italy for the Group as Jiazhong has the relevant import licence which the Group did not have. Jiazhong also acted as agent for the Group to import the merchandise into the PRC on behalf of the Group. The Group has now obtained the relevant import licence and will shortly directly import these merchandise into the PRC for sale. The Jiazhong Advances were made in connection with the Group’s business above, although given the long business history, PAHL did not insist on any formality as to the use of the Jiazhong Advances.

Information on Jiazhong

Jiazhong is a domestic company incorporated under the laws of the PRC and is principally engaged in the business of, amongst others, the provision of import and export agency services, merchandise trading, construction and decoration services. Jiazhong is held as to 40% by Ge Weiyong, the legal representative of CPAX and Ports Fashion (XM) Limited, both subsidiaries of the Company, and 60% by Liu Qinhua, a director of CPAX from 6 March 2006 to 20 September 2007. Both Ge Weiyong and Liu Qinhua have been directors of PIEL since April 2003. Mr. Liu resigned as director of PIEL on 3rd May 2012 whilst Ms. Ge remains in office. The equity interests of Ge Weiyong and Liu Qinhua are held on trust since 2002 for the benefit of Huang Jun, who is an independent third party of the Company and its connected persons.

To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, Jiazhong and its associates are not connected persons of the Company.

Historical Amounts

PAHL, through its PRC subsidiaries, had made a series of advances to Jiazhong. Apart from the interest-free advances between Jiazhong and PAHL's PRC subsidiaries, there were other transactions between Jiazhong and the Group in the usual and ordinary course of business.

As of 31 December 2011, the outstanding accounts payable by the Group to Jiazhong was RMB21,351,000.

As of 11 May 2012, the outstanding balances owing from Jiazhong to the Group in respect of the Jiazhong Advances and the trading activities (after taking into account advances from Jiazhong) was RMB76,037,000, which have been fully repaid and settled with Jiazhong on 15 May 2012.

Future Transactions

No further advance will be made between the Group and Jiazhong.

Listing Rules Implications

As the applicable Percentage Ratios (as defined in the Listing Rules) in respect of the Jiazhong Advances in each of 2010 and 2011 exceeded 5% (but did not exceed 25%), the Jiazhong Advances would have constituted a discloseable transaction on the part of the Company. The Jiazhong Advances should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Furthermore, as the maximum amount of advances under the Jiazhong Advances were more than 8% of the total assets of the Group during 2010, the Company should have complied with the disclosure requirements under Rule 13.13 of the Listing Rules.

2. Connected Transaction - Advances from the Group to Edward Tan

During 2010, CPAX made three advances totalling RMB4,000,000 to Edward Tan ("2010 Tan Advances"). Separately in 2011, CPAX made two advances of approximately RMB10,000,000 and approximately RMB20,000,000 on 6 July 2011 and 18 October 2011 respectively to Edward Tan. On 5 April 2012, the parties entered into an agreement which confirmed the two advances totaling approximately RMB30,000,000 with an effective interest rate of 6.56% per annum between the parties (the "2011 Tan Advances"). Full repayment of the outstanding principal (and interest thereon, in respect of the 2011 Tan Advances) were made by Edward Tan to CPAX in respect of the 2010 Tan Advances and the 2011 Tan Advances on 15 May 2012. The above arrangements were one-off and no further advances will be made by the Group to Edward Tan.

Reasons for the transactions

The purpose of the 2010 Tan Advances was to set up a charitable fund for the needy in China who require financial assistance due to sickness or for their children's

education. The purpose of the 2011 Tan Advances were to assist Edward Tan in setting up an internet shopping website in the PRC (the “Website”). The Website is owned by a company controlled by Edward Tan. In return for the 2011 Tan Advances, Edward Tan gave prominence to the Group’s brands when providing advertising and marketing services through the Website, which is considered by the Company to be beneficial to the Group given the rapid expansion of internet shopping in the PRC.

Information on Edward Tan

Edward Tan is the former Chairman and a former executive Director of the Company, and a controlling shareholder (as defined in the Listing Rules) of the Company. Accordingly, Edward Tan is a connected person of the Company.

Listing Rules Implications

As Edward Tan is a connected person of the Company, the 2010 Tan Advances and the 2011 Tan Advances constituted financial assistance by the Company to a connected person under Chapter 14A of the Listing Rules. As each of the applicable Percentage Ratios (as defined in the Listing Rules) exceeded 0.1% but is less than 5% in respect of the 2010 Tan Advances and the 2011 Tan Advances, they should have been subject to the reporting and announcement requirements, but are exempt from independent shareholders’ approval under Rule 14A.66 of the Listing Rules.

3. Connected Transactions - Advances between PAHL and PIEL, Ports 1961 SpA and PKL

Between the period of 1 January 2010 and 11 May 2012, PAHL itself and through its subsidiaries there were interest-free advances to PIEL (the “PIEL Advances”) and Ports 1961 SpA (the “Ports 1961 Advances”). During the same period, PAHL also made interest-free advances to PKL (the “PKL Advances”) while PIEL made interest-free advances to PAHL. PIEL, Ports 1961 SpA and PKL are associates of Alfred Chan and Edward Tan.

The PIEL Advances were repaid from time to time, with a maximum amount outstanding of RMB 276,169,000 during 2010. All outstanding sums under the PIEL Advances have been settled in full by PIEL as at 16 May 2012.

The Group made advances to Ports 1961 SpA with an outstanding balance of RMB 31,635,000 as at 31 December 2011. All outstanding sums under the Ports 1961 SpA Advances have been repaid in full to the Group as at 16 May 2012.

The Group made advances to PKL with an outstanding balance of RMB 4,512,000 as at 31 December 2011. All outstanding sums under the PKL Advances have been repaid in full to the Group as at 15 May 2012.

Reason for the transactions

PIEL is involved in the acquisition, construction and development of retail and commercial property projects in the PRC. To pay the relevant agents and contractors for the acquisition of, and the construction of, these retail and commercial properties in the PRC, PIEL and its subsidiaries required short-term advances from PAHL’s

subsidiaries from time to time. In return, PIEL would assist the Group in securing prime retail locations in its shopping malls in the PRC for the Group's retail stores.

Ports 1961 SpA is involved in the purchase of fabrics, accessories and clothing made in Italy. PAHL would, from time to time, make interest-free advances to Ports 1961 SpA for the manufacturing of Ports branded merchandise in Italy.

PKL is involved in the operation of a retail store in London, England. PAHL would, from time to time, make interest-free advances to PKL to settle payments for the Ports merchandise sold in the store.

Information on PIEL, Ports 1961 SpA and PKL

PIEL is a company incorporated in the British Virgin Islands, and is owned as to 50% each by Alfred Chan, an executive Director, and Edward Tan, former Chairman and former executive Director of the Company. PIEL, through its approximately 97%-owned subsidiary, CFS International Inc. ("CFS"), is the controlling shareholder of the Company and indirectly holds approximately 41.16% of the issued share capital of the Company. The remaining 3% equity interest of CFS is held by Edward Tan and Alfred Chan.

Ports 1961 SpA is a company incorporated in Italy, and is owned as to 98% by Ports 1961 (New York) Inc., a company controlled by CFS. The remaining 2% of Ports 1961 SpA is held by Lucia Trisi.

PKL is a company incorporated in England and Wales and is owned as to 100% by Yue Tsang Ming, the nephew of Alfred Chan and Edward Tan.

Historical Amounts

PAHL had made a series of advances to PIEL and Ports 1961 SpA. Apart from the interest-free advances from PAHL to each of PIEL and Ports 1961 SpA, there were other trading activities between PAHL and Ports 1961 SpA in the usual and ordinary course of business which were de minimis in both 2010 and 2011 and exempted under Rule 14A.31(2) of the Listing Rules.

As of 31 December 2011, the outstanding balance in respect of the PIEL Advances was nil (as at 31 December 2010, also nil). As of the same date, PIEL had interest-free advances to the Group of RMB160,139,000 (as at 31 December 2010, RMB135,784,000). PIEL had an average daily balance of interest-free advances of RMB146,345,000 to the Group in 2011 (RMB112,139,000 in 2010). All outstanding sums in respect of the PIEL Advances as well as other trading activities between PIEL, Ports 1961 SpA and the Group have been settled in full as at 16 May 2012 by the payment of the sum of RMB273,168,000 from the Group to PIEL, and the receipt of the sum of RMB40,246,000 from Ports 1961 SpA to the Group.

As at 31 December 2011, the outstanding accounts payable between PAHL and PKL was RMB4,512,000. All outstanding sums have been repaid in full by PKL to the Group as at 15 May 2012.

Future Transactions

No further advances will be made between the Group and PIEL, Ports 1961 SpA and PKL.

Listing Rules Implications

PIEL is a connected person of the Company and Ports 1961 SpA (as PIEL's majority-controlled subsidiary) is an associate of a connected person of the Company.

PKL is wholly-owned by the nephew of Alfred Chan and Edward Tan and is an associate of connected persons of the Company. As a result, the PIEL Advances and the PKL Advances constituted financial assistance by the Company to connected persons under Chapter 14A of the Listing Rules.

As the applicable Percentage Ratios (as defined in the Listing Rules) for the PIEL Advances for 2010 exceeded 5%, they should have been subject to independent shareholders' approval under Chapter 14A of the Listing Rules. Furthermore, as the applicable Percentage Ratios (as defined in the Listing Rules) in respect of the PIEL Advances for 2010 exceeded 5% (but did not exceed 25%), the PIEL Advances for 2010 would have constituted a discloseable transaction on the part of the Company and should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the applicable Percentage Ratios (as defined in the Listing Rules) for the Ports 1961 Advances in 2010 and 2011 exceeded 0.1% but were less than 5%, the Ports 1961 Advances should have been subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval under Rule 14A.66 of the Listing Rules.

As the applicable Percentage Ratios (as defined in the Listing Rules) for the PKL Advances in 2011 exceeded 0.1% but were less than 5%, the PKL Advances should have been subject to the reporting and announcement requirements but is exempt from independent shareholders' approval under Rule 14A.66 of the Listing Rules.

III. REMEDIAL MEASURES TAKEN BY THE COMPANY

1. Ratification of the Transactions by the Directors

The Directors have, on 18 May 2012, held a board meeting to ratify, confirm and approve the Jiazhong Advances, the 2010 Tan Advances, the 2011 Tan Advances, the PKL Advances, the PIEL Advances, the Ports 1961 SpA Advances. At the board meeting, the Directors (including the independent non-executive Directors) confirmed that these transactions were in the interests of the Company and its shareholders as a whole.

In addition, the Board had accepted the resignation of Edward Tan as an executive director and Chairman of the Company with effect from 18 May 2012. He confirmed that he had no disagreement with the Board and accepted full responsibility for failing to exercise proper procedures and controls resulting in breaches of the Listing Rules as described in section II headed "The Transactions" above.

2. Appointment of Internal Control Adviser

Following the discovery of the Transactions, the Company commenced a thorough review of its internal control and corporate governance procedures to ensure proper compliance with the relevant requirements regarding notifiable and connected transactions.

The Company had appointed FTI Consulting, an independent professional adviser, to conduct a thorough review of and make recommendations to improve the Company's internal controls and corporate governance procedures since discovering the Transactions. The Company will consult with and seek advice from the internal control adviser with regards to the implementation of the adviser's recommendations so as to ensure future compliance with the Listing Rules. The Company will announce separately the results of the internal control review, the recommendations of the internal control adviser and the measures the Company will adopt pursuant to the advice given.

3. General Preventive Measures

In order to comply with the Listing Rules by the Group in the future, the Company will adopt the following measures:

- (a) As a preventive control measure, a letter will be issued by the Company to the general manager, deputy general manager and financial controller of the subsidiaries of the Group to remind them to consult the financial controller and company secretary of the Company for any possible transactions which may constitute notifiable transactions, connected transactions and/or other discloseable transactions under the Listing Rules. In addition, they will be requested to study the previous training materials of the Listing Rules again and to pay attention to previous faxes and correspondence issued by the Company regarding compliance with the Listing Rules.
- (b) Re-training of the Listing Rules will be given to the management so as to refresh their memory in due course.

IV. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

| | |
|-----------------------------|---|
| “2011 Results Announcement” | Announcement of the Annual Results dated 21 May 2012 |
| “Annual Results” | the Company's annual results for the year ended 31 December 2011 |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| Alfred Chan | Chan Kai Tai Alfred, executive director of the Company, and the brother of Edward Tan |

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|---------------------------|---|
| “Board” | the board of Directors of the Company |
| “Company” | Ports Design Limited, a company incorporated in Bermuda and whose shares are listed on the Stock Exchange |
| “CFS” | CFS International Inc., a company incorporated in Edmonton, Alberta, Canada |
| “CPAX” | CPAX Ltd, a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company |
| “Directors” | the directors of the Company |
| “Edward Tan” | Tan Han Kiat Edward, former chairman and executive director of the Company, and the brother of Alfred Chan |
| “Group” | the Company and its subsidiaries |
| “Jiazhong” | Xiamen Jiazhong Software Development Company Limited, details of which have been disclosed under the section headed “Information on Jiazhong” |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “March 2012 Announcement” | the announcement of the Company dated 28 March 2012 |
| “PAHL” | Ports Asia Holdings Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of the Company |
| “PIEL” | Ports International Enterprises Limited, a company incorporated in the British Virgin Islands on 8 th September, 1993 with limited liability and owned as to 50% by each of Alfred Chan and Edward Tan |
| “PKL” | Ports of Knightsbridge Limited, a company incorporated in England and Wales, and wholly-owned by Yue Tsang Ming, the nephew of Alfred Chan and Edward Tan |
| “PRC” | The People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transactions” | the transactions referred to in section II of this Announcement |

By Order of the Board
Ports Design Limited
Chan, Kai Tai Alfred
Director

Hong Kong, 21 May 2012

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Chan, Kai Tai Alfred
Mr. Bourque, Pierre Frank

Non-executive Directors:

Mr. Hylton, Ian Richard

Independent Non-executive Directors:

Mr. Cone, Rodney Ray
Ms. Fong, Wei Lynn Valarie
Mr. Bromberger, Peter Nikolaus

**for identification only*