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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in PORTS DESIGN LIMITED, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected from transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**PORTS DESIGN LIMITED**

**寶姿時裝有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 589)**

### **PROPOSALS FOR GENERAL MANDATES TO ISSUE SECURITIES AND TO REPURCHASE SECURITIES, and RE-ELECTION OF DIRECTORS**

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A notice convening the AGM of the Company to be held at 27 Jiyuan Road, Jimei, Xiamen, 361021 China on Wednesday, 23 May 2007 at 9:30 a.m. has been sent together with this circular and the Company's 2006 Annual Report. Whether or not you are able to attend such meeting in person, please complete the enclosed form of proxy in accordance with the instructions printed thereof and return it to the branch share registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof should you so wish.

\* *For identification purposes only*

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## DEFINITIONS

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*In this circular, unless otherwise specified or required by the context, the following terms shall have the following meanings:*

“AGM”	the annual general meeting of the Company to be held at 27 Jiyuan Road, Jimei, Xiamen, 361021 China, on Wednesday, 23 May 2007 at 9:30 a.m. or, where the context so admits, any adjournment thereof
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company
“Company”	PORTS DESIGN LIMITED, an exempted company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Issue Mandate”	the proposed issue mandate to be granted to the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the resolution approving this issue mandate
“Latest Practicable Date”	10 April 2007 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Mandate”	the proposed mandate to be granted to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution approving the repurchase mandate
“Shareholders”	holders of Shares
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Share Repurchase Rules”	The relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their securities in the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases approved by the Securities and Futures Commission as amended from time to time

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## LETTER FROM THE BOARD

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### PORTS DESIGN LIMITED

寶姿時裝有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 589)**

*Directors:*

Mr. Chan, Kai Tai Alfred  
Mr. Tan, Han Kiat Edward  
Mr. Bourque, Pierre Frank

Mr. Cone, Rodney Ray#  
Ms. Fong, Wei Lynn Valarie#  
Ms. Enfield, Julie Ann\*  
Ms. Lai, Lara Magno#

\* *Non-executive Directors*

# *Independent Non-executive Directors*

*Head office and principal place of  
business:*

Suite 101A, Sunbeam Centre  
27 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

27 April 2007

*To the Shareholders,*

Dear Sir/Madam,

### **PROPOSALS FOR GENERAL MANDATES TO ISSUE SECURITIES AND TO REPURCHASE SECURITIES, and RE-ELECTION OF DIRECTORS**

#### **1. INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the AGM for the approval of (i) the granting to the Directors of a general mandate to repurchase Shares, the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such a resolution ("Repurchase Mandate"); (ii) the granting to the Directors of a general mandate to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such a resolution ("Issue Mandate"); (iii) the granting to the Directors of a general mandate to extend the Issue Mandate to the nominal amount (up to a maximum of 10% of the aggregate nominal amount of the Company's then issued share capital) of any Shares repurchased by the Company; and iv) the re-election of the Directors and the authorisation for the Board of Directors to fix their remuneration.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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These general mandates will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by law and the date upon which such an authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company. The Directors wish to state that they have no present intention to repurchase any Shares or issue any new Shares in the event that these general mandates are approved.

An explanatory statement as required under the Share Repurchase Rules, given certain information regarding the Repurchase Mandate, is set out in this circular.

### 2. RE-ELECTION OF DIRECTORS

In relation to the proposed resolution number 4, as set out in the notice of the Annual General Meeting regarding re-election, all directors will retire from the Board at the forthcoming Annual General Meeting but, being eligible, all offer themselves for re-election. The term of the Directors is therefore effectively one year.

Save for any information set out below, there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraph 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the shareholders of the Company in respect of the following Directors who stand for re-election at the forthcoming Annual General Meeting. The Directors' emoluments are determined by reference to corporate and individual performances as well as market/sector trends. None of the Directors has a service contract with the Company.

#### Executive Directors

*Tan, Han Kiat Edward*, aged 64, is the Chairman of the Company and a founder of the Group. Mr. Tan has more than 35 years experience in the textile, garment and trading business. Mr. Tan is responsible for setting the general direction of the Group. Mr. Tan has extensive experience in carrying out business in both Canada and the PRC. Mr. Tan has been an executive director of CFS International Inc. ("CFS") since 1989. Mr. Tan is the elder brother of Mr. Chan. Mr. Tan is also the Chairman and an executive director of both Ports International Enterprise Limited ("PIEL") and CFS.

As at the Latest Practicable Date, Mr Tan was deemed to have a long position of 223,600,000 shares and underlying shares of the Company (approximately 40.74% of the issued share capital of the Company) and a short position of 22,000,000 shares and underlying shares of the Company (approximately 4.01% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), by virtue of his interest in PIEL which has a 100% interest in CFS. Save for the facts disclosed herein and his deemed interests in PIEL and CFS, Mr Tan has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules) The total amount of the directors' emoluments received by Mr Tan for the year ended 31 December 2006 was RMB266,000.

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## LETTER FROM THE BOARD

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*Chan, Kai Tai Alfred*, aged 58, is the Chief Executive Officer and Managing Director of the Company, and a founder of the Group. Mr. Chan is the younger brother of Mr. Tan. Mr. Chan has over 20 years experience in the garment and fashion industry in North America and Asia. He was nominated as one of the 200 top Chief Executive Officers in Canada by the Financial Post of Canada in 1992. He is responsible for the overall management and operations of the Group. Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in Physics in 1970 and a Masters degree in Electrical Engineering in 1972. Mr. Chan has been an executive director of CFS since 1989. Mr. Chan is also the CEO and an executive director of both PIEL and CFS.

As at the Latest Practicable Date, Mr Chan was deemed to have a long position of 223,600,000 shares and underlying shares of the Company (approximately 40.74% of the issued share capital of the Company) and a short position of 22,000,000 shares and underlying shares of the Company (approximately 4.01% of the issued share capital of the Company) within the meaning of Part XV of the SFO, by virtue of his interest in PIEL which has a 100% interest in CFS. Save for the facts disclosed herein and his deemed interests in PIEL and CFS, Mr Chan has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules). The total amount of the directors' emoluments received by Mr Chan for the year ended 31 December 2006 was RMB266,000.

*Bourque, Pierre Frank*, aged 59, is the Executive Vice President of the Company. Mr. Bourque has over 20 years experience in the garment and fashion industry with knowledge of inventory management, inventory quality control, marketing, merchandising and sales. Mr. Bourque joined the PORTS INTERNATIONAL Canadian operations in 1997 and was the vice president of CFS in the same year. Mr. Bourque joined the Group in August 2002.

As at the Latest Practicable Date, Mr Bourque was deemed to have a long position of 260,000 shares and underlying shares of the Company (approximately 0.04% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Save for the facts disclosed herein, Mr Bourque has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules). The total amount of the directors' emoluments received by Mr Bourque for the year ended 31 December 2006 was RMB773,091.

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## LETTER FROM THE BOARD

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### **Non-Executive Directors**

*Enfield, Julie Ann*, aged 50, is a full time writer and also part time lecturer at Ryerson University in Toronto. Ms. Enfield was employed by CFS International Inc. (“CFS”) in its public relations department from August 2002 to July 2005. She also holds certain share options which may convert into 10,000 shares in CFS. CFS currently has approximately over 36 million shares in issue. Ms. Enfield holds a degree in Journalism from Ryerson University in Toronto, Canada. Ms. Enfield joined the Group in September 2005.

As at the Latest Practicable Date, Ms Enfield was not deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the SFO. Save for the facts disclosed herein, Ms Enfield has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules). The total amount of the directors’ emoluments received by Ms Enfield for the year ended 31 December 2006 was RMB nil.

### **Independent Non-Executive Directors**

*Cone, Rodney Ray*, aged 46, is an independent non-executive Director and a member and the chairman of the audit committee of the Company. Mr. Cone graduated from the Wharton School, the University of Pennsylvania with a Master of Business Administration degree in 1993. Mr. Cone was a general manager of Healthcare Asia (Taiwan) Ltd. from 1993 to 1996. Mr. Cone is currently an independent businessman operating in Hong Kong, Taiwan and the PRC. Mr. Cone joined the Group in October 2002.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr Cone was deemed to have a long position of 60,000 shares and underlying shares of the Company (approximately 0.01% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Save for the facts disclosed herein, Mr Cone has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules). The total amount of the directors' emoluments received by Mr Cone for the year ended 31 December 2006 was RMB4,571.

*Fong, Wei Lynn Valarie*, aged 33, is an independent non-executive Director and a member of the audit committee of the Company. Ms. Fong graduated from Australian National University in 1995 with a Bachelor of Commerce degree. Ms. Fong was an accountant with Ernst & Young, Hong Kong from 1996 to 1998. Ms. Fong is a member of the Australian Society of Certified Public Accountants. Ms. Fong is currently an art dealer at Contrasts Gallery, Hong Kong where she is responsible for purchases of art pieces for private clients, organising exhibitions and events, co-ordinating public relations and marketing events and preparing production schedules and budgets. Ms. Fong joined the Group in August 2002.

As at the Latest Practicable Date, Ms Fong was deemed to have a long position of 60,000 shares and underlying shares of the Company (approximately 0.01% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Save for the facts disclosed herein, Ms Fong has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules). The total amount of the directors' emoluments received by Ms Fong for the year ended 31 December 2006 was RMB4,571.

*Lai, Lara Magno*, aged 36, is the vice president of education for Sky Media Pte. Ltd. Ms. Lai graduated from the University of London's Institute of Education with a Master's Degree in Media Studies. Ms Lai was part of the pioneering team that created the SKYTUTOR e-learning program in 1995, and was instrumental in securing Sky Media's position as the only e-education content provider for the pilot Singapore ONE national broadband infrastructure project. Her exemplary work in the field of e-education has helped Sky Media Pte. Ltd. to secure numerous awards and grants under the National Innovation and Development Scheme. Ms. Lai joined the group in March 2004.

As at the Latest Practicable Date, Ms Lai was not deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the SFO. Save for the facts disclosed herein, Ms Lai has no relationship with any other Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules). The total amount of the directors' emoluments received by Ms Lai for the year ended 31 December 2006 was RMB nil.

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## LETTER FROM THE BOARD

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### 3. RIGHT TO DEMAND A POLL

Shareholders of the Company have the right to demand a poll on the resolutions proposed at the Annual General Meeting.

Pursuant to the Bye-laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

### RECOMMENDATION

The Directors consider that the resolutions as set out respectively in the notice of the Annual General Meeting are all in the best interests of the Company and its shareholders. Accordingly, the Directors recommend you to vote in favour of the resolutions at the forthcoming Annual General Meeting.

Yours faithfully  
For and on behalf of the Board



**PORTS DESIGN LIMITED**  
**CHAN Kai Tai Alfred**  
*Chief Executive Officer*

This explanatory statement contains all the information required pursuant to rule 10.06(1)(b) of the Listing Rules to be given to all Shareholders relating to the resolutions to be proposed at the forthcoming AGM authorizing the Repurchase Mandate.

### **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprises 553,544,748 Shares. Subject to the passing of the ordinary resolution approving the Repurchase Mandate and the Issue Mandate and on the basis that no further Shares are issued or repurchased prior to the AGM, exercise in full of the proposed Repurchase Mandate can accordingly result in up to 55,354,474 Shares (being 10% of the Shares in issue) being repurchased by the Company during the period from 23 May 2007, the date of the AGM, and ending on the earliest of (i) the date of the next annual general meeting of the Company; (ii) the passing of an ordinary resolution by the Shareholders of the Company in general meeting revoking or varying the authority given to the Directors by the resolution referred to above; or (iii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws and statutes or the bye-laws of the Company to be held, whichever is the earliest.

### **REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

### **FUNDING OF REPURCHASES**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws, the Listing Rules and the applicable laws of Hong Kong and Bermuda.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. However, there might be a material adverse effect on the working capital requirement of the Company or the gearing level (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2006) in the event that the Repurchase Mandate is exercised in full at any time during the proposed purchase period.

### **DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

The Listing Rules prohibit a company from knowingly purchasing shares of the company on the Stock Exchange from a “**connected person**”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their associates (as defined in the Listing Rules).

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company and no such connected persons have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

### **EFFECT OF THE TAKEOVERS CODE**

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, CFS International Inc. ("CFS") was beneficially interested in approximately 36.31% of the issued share capital of the Company. In the event that the Directors exercise the power to repurchase Shares in full pursuant to the Repurchase Mandate, the beneficial interest of CFS will be increased to approximately 40.35% of the issued share capital of the Company and such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate.

### **SHARE REPURCHASES MADE BY THE COMPANY**

During the six months preceding the date of this letter, no shares have been repurchased by the Company whether on the Stock Exchange or otherwise.

**MARKET PRICES**

During each of the previous twelve months before the date of this letter, the highest and lowest trade prices for shares on the Stock Exchange were as follows:

<b>MONTH</b>	<b>PER SHARE</b>	
	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2006</b>		
January	10.05	8.75
February	11.35	9.90
March	12.00	9.80
April	13.35	11.45
May	13.20	10.50
June	12.50	9.40
July	13.00	10.60
August	12.24	9.93
September	13.20	11.00
October	14.06	12.00
November	17.10	13.48
December	17.46	15.50
<b>2007</b>		
January	21.50	15.60
February	21.45	19.00
March	21.00	16.45

**GENERAL**

Under the Listing Rules, the total number of shares which a company is authorised to purchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing issued share capital as at the date of the approval of the share repurchase mandate. A company may not make a new issue of shares or announce a proposed new issue of shares for a period of 30 days immediately following a repurchase of securities, whether on the Stock Exchange or otherwise, other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules further prohibit a company from purchasing its shares or warrants on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

A company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

The Listing Rules provide that the listing of all repurchased securities is automatically cancelled and that the certificates for such repurchased securities must be cancelled and destroyed. Under Bermuda law, a company's repurchased shares will be treated as cancelled, but the repurchase of shares shall not be taken as reducing the amount of the Company's authorised share capital.

The Listing Rules prohibit any repurchase of securities at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

Under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which a company makes a purchase of shares. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the financial year, including, in respect of each month, the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid by the company for such purchases.