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LR 14.58(1)



**PORTS DESIGN LIMITED**

**寶姿時裝有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 589)**

LR13.51(A)

## **CONTINUING CONNECTED TRANSACTION**

### **MASTER CONCESSIONAIRE AGREEMENT**

Reference is made to the Announcement, where it was disclosed that the Company and PCD entered into the Master Agreement on 5 December 2007. Reference is also made to the PCD Prospectus, where it was disclosed in the Relevant Paragraph that the Company and PCD entered into the Master Concessionaire Agreement on 29 November 2009.

LR 14A.56(2)

As the scope and terms of the Master Agreement and the Master Concessionaire Agreement is substantially the same and the Master Agreement expired on 30 June 2010, the Company would like to re-confirm the terms of the Master Concessionaire Agreement, which since the expiration of the Master Agreement has governed, and shall continue to govern the concessionaire arrangements between the Group and PCD Group until the end of the term of the Master Concessionaire Agreement (i.e. 31 December 2011).

As at the date of this announcement, PCD indirectly held as to 39.57% by PIEL, a company the issued share capital of which is owned entirely by Alfred Chan and Edward Tan in equal shares. Accordingly, pursuant to Rule 1.01 of the Listing Rules, PCD is an associate of Alfred Chan and Edward Tan, directors and controlling shareholders of the Company, PCD and the members of the PCD Group are therefore connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules.

As the applicable percentage ratios of the estimated maximum annual amount payable to the Group under the Master Concessionaire Agreement are less than 5%, transactions under the Master Concessionaire Agreement are subject to reporting and announcement requirements under Rule 14A.34 and Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.41 of the Listing Rules, but are exempt from independent shareholders' approval requirements.

## **BACKGROUND**

Reference is made to the Announcement, where it was disclosed that the Company and PCD entered into the Master Agreement on 5 December 2007. Reference is also made to the PCD Prospectus, where it was disclosed in the Relevant Paragraph that the Company and PCD entered into the Master Concessionaire Agreement on 29 November 2009.

As the scope and terms of the Master Agreement and the Master Concessionaire Agreement is substantially the same and the Master Agreement expired on 30 June 2010, the Company would like to re-confirm the terms of the Master Concessionaire Agreement, which since the expiration of the Master Agreement has governed, and shall continue to govern the concessionaire arrangements between the Group and PCD Group until the end of the term of the Master Concessionaire Agreement (i.e. 31 December 2011).

## **THE MASTER CONCESSIONAIRE AGREEMENT**

### **(i) Date**

29 November 2009

### **(ii) Major Terms of the Master Concessionaire Agreement and the concessionaire agreements thereunder** LR14.60(1)

Pursuant to the terms of the Master Concessionaire Agreement, the Company agreed to procure members of the Group and PCD agreed to procure members of the PCD Group to enter into various concessionaire agreements, under which PCD will agree to provide certain designated counters within its various department stores located in the PRC to the Group for the sale of clothing, accessories and apparel in return for the payment of rental fees by the Group. LR14.60(1)

The Master Concessionaire Agreement shall be valid until 31 December 2011. The Master Concessionaire Agreement provides that the terms of any concessionaire agreement entered thereunder shall be on the then prevailing market price, on normal commercial terms, on an arm's length basis and be on a similar basis as the Group accepts business from other independent third parties.

Under existing concessionaire agreements entered into pursuant to the Master Concessionaire Agreement, the Group is obliged to pay fees to the PCD Group as consideration for the Group being granted the right to sell clothing, accessories and apparel at certain designated counters in the department stores operated by the PCD Group. The fees will be negotiated on a case by case basis between the Group and the PCD Group but will generally be between 15% to 25% of our revenue generated from the sale of our products as management fees plus another 1% to 2% of our revenue generated from the sale of our products as promotion and marketing fees (the "Department Store Fees").

### **(iii) Historical amounts**

The Department Store Fees paid by the Group to the PCD Group for the three financial years ended 31 December 2009 were approximately RMB12.9 million, RMB17.7 million and RMB21.1 million respectively. The increase during these years was mainly due to an increase in the number of stores operating under the Master Agreement and/or the Master Concessionaire Agreement.

### **(iv) Proposed cap and basis of cap**

It is expected that the Department Stores Fees to be paid by the Group to PCD Group pursuant to the Master Concessionaire Agreement for the two financial years ended 31 December 2011 will not exceed RMB40.8 million and RMB63.0 million, respectively. LR 14A.56(4/5)  
14A.56(4)

The proposed caps are determined by reference to the historical value of such transactions after accounting for projected growth and expansion of the Group and PCD Group, and the projected increase in the number of PCD Group's stores and the growth of the consumer markets in the relevant cities where PCD Group's stores are located.

In particular, the Group has assumed a 20% growth rate in the Department Store Fees based on the projected increase in the revenue generated from the sale of our products in department stores managed or operated by PCD Group on a per department store basis, and the number of stores that the Group intends to rollout, which is consistent with the previous growth rate during the three financial years ended 31 December 2009. There is, however, no assurance from the Group or from the PCD Group that the actual growth rate will be 20%.

**(iv) Directors' Confirmation**

The Directors (including the independent non-executive Directors) confirm that the terms and conditions of the Master Concessionaire Agreement are in the ordinary course of business of the Group, on normal commercial terms, and were negotiated on an arm's length basis and are fair and reasonable and in the interests of the Company and its shareholders. LR 14A.56(1)

**REASONS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS**

LR 14.58(8)

The Directors consider that by opening retail outlets in department stores operated by the PCD Group, the Group will have the valuable opportunity to expand its access to the PRC market, in particular the high-end retail market targeted by the PCD Group. In particular, the Directors are of the view that the presence of the Group's outlets in such department stores alongside other high-end and luxury merchandise will enhance public recognition and the image and status of the brands that the Group distributes within the PRC.

**CONNECTED RELATIONSHIP**

As at the date of this announcement, PCD indirectly held as to 39.57% by PIEL, a company the issued share capital of which is owned entirely by Alfred Chan and Edward Tan in equal shares. Accordingly, pursuant to Rule 1.01 of the Listing Rules, PCD is an associate of Alfred Chan and Edward Tan, directors and substantial shareholders of the Company, PCD and the members of the PCD Group are therefore connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules. LR 14A.56(2)

Alfred Chan and Edward Tan have a material interest in the transaction under the Material Concessionaire Agreement by virtue of their common directorships in the Company and PCD and their holdings in PIEL (being an indirect controlling shareholder of both the Company and PCD), and have abstained from voting on the board resolution approving the Material Concessionaire Agreement. Save as disclosed above, no director of the Company abstained from voting on such board resolution. LR 14A.56(9)

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratios of the estimated maximum annual amount payable to the Group under the Master Concessionaire Agreement are less than 5%, transactions under the Master Concessionaire Agreement are subject to reporting and announcement requirements under Rule 14A.34 and Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.41 of the Listing Rules, but are exempt from independent shareholders' approval requirements.

**GENERAL**

The Company is an investment holding company and the Group is principally 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 fragrance in the PRC. LR 14.58(2)

PCD is a company listed on the Main Board of the Stock Exchange, and is principally engaged in the department store and outlet mall industry in the PRC with an emphasis on high-end and luxury products.

## DEFINITIONS

"Annual Cap"	shall have the meaning given to it in Rule 14A.35(2) of the Listing Rules
"Announcement"	the announcement of the Company dated 5 December 2007 in relation to the Master Agreement
"Board"	the board of directors of the Company
"Company"	PORTS DESIGN LIMITED, a limited liability company incorporated in Bermuda, with its shares listed on the Stock Exchange
"Director(s)"	the director(s) of the Company including the independent non-executive directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Master Agreement"	the agreement between the Company and PCD pursuant to which the Company agreed to procure members of the Group, and PCD agreed to procure members of the PCD Group, to enter into various concessionaire agreements dated 5 December 2007
"Master Concessionaire Agreement"	the agreement between the Company and PCD pursuant to which the Company agreed to procure members of the Group, and PCD agreed to procure member of the PCD Group, to enter into various concessionaire agreements dated 29 November 2009
"PCD"	PCD Stores (Group) Limited, a limited liability company incorporated in the Cayman Islands, which shares are listed on the Main Board of the Stock Exchange (Stock Code: 331)
"PCD Group"	PCD and its subsidiaries
"PCD Prospectus"	The prospectus for the listing of PCD dated 3 December 2009
"PIEL"	Ports International Enterprises Limited, a limited liability company incorporated in the British Virgin Islands
"PRC"	the People's Republic of China
"Relevant Paragraph"	the paragraph headed "Relationship with our Ultimate Controlling Shareholders and Connected Transactions – Continuing Connected Transaction – Category II – Non-exempt continuing connected transactions – (C) Concessionaire Arrangement with PDL Group"
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board  
Alfred Chan Kai Tai  
Director

Hong Kong, 16 July 2010

*As at the date of this announcement, the Directors are:*

LR 2.14

*Edward Han-Kiat TAN*  
*Alfred Kai Tai CHAN*  
*Pierre Frank BOURQUE*

*Julie Ann ENFIELD<sup>^</sup>*  
*Rodney Ray CONE<sup>#</sup>*  
*Valarie Wei Lynn FONG<sup>#</sup>*  
*Peter Nikolaus BROMBERGER<sup>#</sup>*

<sup>^</sup>*Non-executive Director*

<sup>#</sup>*Independent Non-executive Director*