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## **TACK FAT GROUP INTERNATIONAL LIMITED**

**德發集團國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 928)

**PLACING OF EXISTING SHARES; AND**

**SUBSCRIPTION OF NEW SHARES**

**PLACING AGENT**

**BNP PARIBAS PEREGRINE**

**BNP PARIBAS PEREGRINE CAPITAL LIMITED**

On 10 April 2006, Efulfilment entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed with Efulfilment to place, on a fully underwritten basis, 227,500,000 existing Shares at the Placing Price of HK\$1.03 per Placing Share on behalf of Efulfilment to not less than six professional, institutional and/or corporate investors who will be third parties independent of the Company and its connected persons.

On the same date, Efulfilment entered into the Subscription Agreement with the Company for the subscription of 227,500,000 new Shares at the Placing Price. The Subscription is conditional upon, among other things, (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and (ii) the completion of the Placing. An application will be made to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

The Placing Price represents (i) a discount of approximately 9.6% to the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on 7 April 2006, being the last trading day immediately before the date of the Placing Agreement; (ii) a discount of approximately 3.4% to the average of the closing prices of approximately HK\$1.07 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 April 2006; and (iii) a premium of approximately 98% over the net asset value per Share of approximately HK\$0.52 based on the unaudited consolidated net asset value of the Group as at 30 September 2005 (as shown in the interim report of the Company for the six months ended 30 September 2005) and the number of Shares in issue as at 30 September 2005. The Placing Price was arrived at after arm's length negotiations between the Company, Efulfilment and the Placing Agent. The Directors consider that the Placing Price and the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Placing Shares represent approximately 15% of the existing issued share capital of the Company. The Subscription Shares represent approximately 13% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares are to be issued under the general mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting of the Company held on 5 September 2005.

The net proceeds of the Subscription of approximately HK\$229 million will be applied as to approximately HK\$100 million for the expansion of the Group's production capacity in Cambodia, as to HK\$50 million for expansion of Mudd retail operation in the PRC and as to the remaining for repayment of the debts.

At the request of the Company, trading in the Shares has been suspended with effect from 9:31 a.m. on 10 April 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 11 April 2006.

## **PLACING AGREEMENT DATED 10 APRIL 2006**

Pursuant to the Placing Agreement, the Placing Agent agreed with Efulfilment to place 227,500,000 existing Shares on behalf of Efulfilment at the Placing Price. Details of the Placing are set out below:

### **THE PLACING**

#### **The Vendor**

Efulfilment, which is a controlling Shareholder and currently holds 652,800,000 Shares or approximately 43.04% of the existing issued share capital of the Company.

#### **The Placing Agent**

BNP Paribas Peregrine Capital Limited has been appointed to place, on a fully underwritten basis, the Placing Shares. The Placing Agent and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

#### **The Placees**

The Placing Shares shall be placed to not less than six professional, institutional and/or corporate investors. The placees and their ultimate beneficial owners shall be third parties independent of the Company and its connected persons. The placees and their ultimate beneficial owners shall also be third parties independent of Efulfilment and its connected persons. It is not expected that any individual placee will become a substantial shareholder of the Company immediately after completion of the Placing and the Subscription.

#### **Number of Placing Shares**

The number of Placing Shares shall be 227,500,000 Shares. The Placing Shares represent approximately 15% of the existing issued share capital of the Company and approximately 13% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

#### **Placing Price**

The Placing Price of HK\$1.03 per Placing Share represents:

- (i) a discount of approximately 9.6% to the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on 7 April 2006, being the last trading day immediately before the date of the Placing Agreement;
- (ii) a discount of approximately 3.4% to the average of the closing prices of approximately HK\$1.07 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 April 2006; and
- (iii) a premium of approximately 98% over the net asset value per Share of approximately HK\$0.52 based on the unaudited consolidated net asset value of the Group as at 30 September 2005 (as shown in the interim report of the Company for the six months ended 30 September 2005) and the number of Shares in issue as at 30 September 2005.

The Placing Price was arrived at after arm's length negotiations between the Company, Efulfilment and the Placing Agent with reference to the closing prices and the net asset value per Share as shown above. Based on the Placing Price, the market value of the Placing Shares is about HK\$234.3 million. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### **Rights**

The Placing Shares will be sold free from all liens, charges and encumbrances and together with the rights attaching to them, including the right to receive all dividends declared, made or paid after the date of the Placing Agreement.

#### **Conditions of the Placing**

The Placing is conditional upon the following conditions having been fulfilled by 19 April 2006 (or such other date as may be agreed between the Placing Agent, the Company and Efulfilment):

- (i) trading in the Shares on the Stock Exchange not having been suspended for more than 3 business days prior to the completion of the Placing; and
- (ii) there being no breach of the warranties, representations and/or undertakings given by Efulfilment and the Company under the Placing Agreement.

In the event that the conditions of the Subscription are not fulfilled (or, as the case may be, waived by the Placing Agent) by the date stipulated, the obligations of the Placing Agent under the Placing Agreement shall cease.

#### **Completion**

Subject to the fulfillment of the conditions above, completion of the Placing is expected to take place on 13 April 2006.

## **Termination**

If, at any time prior to 9:30 a.m. on the date of the completion of the Placing:

- (a) there develops, occurs or comes into effect :
- (i) any event, development or change (whether or not local, national or international or forming part of a series of event, developments or changes occurring or continuing before, on and/or after the date hereof), including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial economic, fiscal, regulatory or other nature, whether or not sui generic with any of the foregoing (including but not limited to acts of government, lock-outs, fire, acts of war, SARS and H5N1), resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions;
  - (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
  - (iii) any material adverse change in conditions of local, national or international securities markets;
  - (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group;
  - (v) a change or development involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere;
  - (vi) the instigation of any litigation or claim of material importance by any third party against any member of the Group;
  - (vii) any occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; or
  - (viii) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including Severe Acute Respiratory Syndrome, avian influenza A (H5N1) or such related/mutate forms) or interruption or delay in transportation), or
- (b) it comes to the notice of the Placing Agent that any of the representations, warranties or undertakings of Efulfilment and/or the Company contained in the Placing Agreement is untrue or inaccurate, breached or not complied with in any respect; or
- (c) it comes to the notice of the Placing Agent that there has been any change in the business or financial or trading position of the Group;

and which, in the sole opinion of the Placing Agent, is or is likely to be materially adverse to the Company or the Group or would prejudice the success of the Placing or would otherwise make the Placing inadvisable or inexpedient, then the Placing Agent shall have a right exercisable by way of written notice to Efulfilment and the Company to terminate the Placing Agreement.

## **SUBSCRIPTION AGREEMENT DATED 10 APRIL 2006**

### **The issuer**

The Company

### **The Subscriber**

Efulfilment, which, as at the date of this announcement, is interested in approximately 43.04% of the existing issued share capital of the Company. Immediately after completion of the Placing, the total shareholding of Efulfilment will be reduced to approximately 28% of the existing issued share capital of the Company. The Subscription will then increase the total shareholding of Efulfilment to approximately 37% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The shareholding of Mr. Kwok Wing, the chairman and the substantial Shareholder, and the parties acting in concert with him (including Efulfilment) will be reduced from approximately 50.3% to approximately 35.3% immediately after completion of the Placing, and will be increased to approximately 43.7% immediately after completion of the Subscription.

### **Number of Subscription Shares**

The number of Subscription Shares shall be 227,500,000 Shares. The Subscription Shares represent approximately 15% of the existing issued share capital of the Company and approximately 13% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### **Subscription Price**

The subscription price is HK\$1.03 per Subscription Share, which is equivalent to the Placing Price. In line with the market practice, the Company will bear all costs and expenses of the Subscription and will reimburse Efulfilment all costs and expenses incurred by Efulfilment in respect of the Placing because it is the fund raising conducted by the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$1.01 per Share.

### **Rights**

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **Mandate to issue the Subscription Shares**

The Subscription Shares are to be issued under the general mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting of the Company held on 5 September 2005. Under the said general mandate, up to 303,332,800 Shares may be issued by the Company.

### **Conditions of the Subscription**

The Subscription is conditional upon the following conditions having been fulfilled by 21 April 2006 (or such other date as may be agreed between the Company and Efulfilment):

- (i) the completion of the Placing pursuant to the Placing Agreement; and
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of, and permission to deal in, the Subscription Shares.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, neither the Company nor Efulfilment shall have any obligations and liabilities under the Subscription.

### **Completion of the Subscription**

Completion of the Subscription will take place on the next business day after the conditions of the Subscription are fulfilled. The Subscription must be completed on or before 24 April 2006, being 14 days from the date of the Placing Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders.

### **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **Moratorium**

Efulfilment undertakes to the Placing Agent that it will procure that, save with the prior written consent of the Placing Agent, no transfer or disposal of, or grant or creation of any interests or rights of any nature in respect of, any interest in any Shares (other than the Placing Shares) owned by it and/or Sharp Asset Holdings Limited (legally or beneficially) is effected by any person prior to the date falling 3 months from the date of the Placing Agreement

The Company also undertakes to the Placing Agent not to offer, issue, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares or any other securities exercisable or exchangeable for or convertible into, or substantially similar to, the Shares or enter into any transaction with the same economic effect as any of the foregoing for a period of 3 months from the date of the Placing Agreement, without the prior written consent of the Placing Agent.

## CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding of the Company as a result of the Placing and the Subscription are as follows:

Shareholder	Shareholding at the date of this announcement and immediately before completion of the Placing and the Subscription	Shareholding immediately after completion of the Placing but before completion of the Subscription	Shareholding immediately after completion of the Placing and the Subscription
Mr. Kwok Wing, Chairman and an executive Director, and the parties acting in concert with him ( <i>Note</i> )	762,424,000 Shares (about 50.3%)	534,924,000 Shares (about 35.3%)	762,424,000 Shares (about 43.7%)
Templeton Asset Management Limited	154,818,000 Shares (about 10.2%)	154,818,000 Shares (about 10.2%)	154,818,000 Shares (about 8.9%)
The placees	–	227,500,000 Shares (about 15%)	227,500,000 Shares (about 13%)
Public Shareholders (other than the placees)	599,422,000 Shares (about 39.5%)	599,422,000 Shares (about 39.5%)	599,422,000 Shares (about 34.4%)
Total	1,516,664,000 Shares (100%)	1,516,664,000 Shares (100%)	1,744,164,000 Shares (100%)

*Note:* These Shares are held as to (i) 652,800,000 Shares by Efulfilment, 50% of the issued share capital of which is owned by Mr. Kwok Wing; (ii) 101,200,000 Shares by Sharp Asset Holdings Limited, the entire issued share capital of which is owned by Mr. Kwok Wing; and (iii) 8,424,000 Shares by Mr. Kwok Wing personally.

## REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Group is principally engaged in the design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children on original design manufacturing and original equipment manufacturing basis.

The net proceeds of the Subscription, after deduction of the placing commission and other related expenses, of approximately HK\$229 million will be applied as to approximately HK\$100 million for the expansion of the Group's production capacity in Cambodia, as to HK\$50 million for expansion of Mudd retail operation in the PRC and as to the remaining for repayment of the debts.

For the reasons stated above, the Board considers that it is beneficial to the Company and the Shareholders as a whole to raise capital for the future business development of the Group by way of the Placing and the Subscription as it will broaden the capital and shareholder base of the Company thereby increasing the liquidity of the Shares.

The Directors consider that the Placing Agreement and the Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company, Efulfilment and the Placing Agent and that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## FUND RAISING ACTIVITY IN PAST 12 MONTHS

No equity fund raising activity has been conducted by the Group in the past 12 months immediately preceding the date of this announcement:

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:31 a.m. on 10 April 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 11 April 2006.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board” the board of Directors

“Company”	Tack Fat Group International Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Efulfilment”	Efulfilment Enterprises Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder which is interested in approximately 43.04% of the entire issued share capital of the Company immediately before the completion of the Placing and the Subscription
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by the Placing Agent on behalf of Efulfilment pursuant to the Placing Agreement
“Placing Agent”	BNP Paribas Peregrine Capital Limited
“Placing Agreement”	the conditional placing agreement dated 10 April 2006 and entered into between Efulfilment, the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$1.03 per Placing Share
“Placing Shares”	227,500,000 Shares which are beneficially owned by Efulfilment and will be placed by the Placing Agent on its behalf pursuant to the Placing Agreement
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Subscription”	the subscription for the Subscription Shares by Efulfilment pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 10 April 2006 and entered into between the Company and Efulfilment in respect of the Subscription
“Subscription Shares”	227,500,000 Shares for which Efulfilment has conditionally agreed to subscribe pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the board of directors of  
**Tack Fat Group International Limited**  
**Kwok Wing**  
*Chairman*

Hong Kong, 10 April 2006

*As at the date of this announcement, the executive Directors are Mr. Kwok Wing, Mr. Lee Yuk Man, Mr. Ho Yik Kin, Norman and Mr. Kwok Kam Chuen, and the independent non-executive Directors are Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwo Seng.*

Please also refer to the published version of this announcement in China Daily.