



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 AND RESUMPTION OF TRADING PLACING AGENT BNP PARIBAS CAPITAL (ASIA PACIFIC) LIMITED

On 13 February 2007, Efulfilment entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed with Efulfilment to place, on a best effort basis, up to 178,000,000 existing Shares at the Placing Price of HK\$1.09 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. The Company has been informed by the Placing Agent that all the Placing Shares have been successfully placed and that the places to the Placing Shares are all 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 up to 178,000,000 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; (ii) the granting of the Waiver and (iii) 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. Efulfilment will also make an application to the SFC for the Waiver.

The Placing Price represents (i) a discount of approximately 14.8% to the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on 12 February 2007, being the last trading day immediately before the date of the Placing Agreement; (ii) a discount of approximately 4.7% to the average of the closing prices of approximately HK\$1.144 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 February 2007; and (iii) a premium of approximately 67.7% over the net asset value per Share of approximately HK\$0.65 based on the unaudited consolidated net asset value of the Group as at 30 September 2006 and the number of Shares in issue as at 30 September 2006 (both as shown in the interim report of the Company for the six months ended 30 September 2006). 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, which have all been successfully placed, represent approximately 10.03% of the existing issued share capital of the Company. The Subscription Shares represent approximately 9.11% 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 2006.

The net proceeds of the Subscription of approximately HK\$190 million will be applied as to approximately HK\$90 million for the expansion of the Group's production capacity in Cambodia and in the PRC, as to approximately HK\$50 million for expansion of Mudd retail operation in the PRC and as to the remaining of approximately HK\$50 million as general working capital and international brand names acquisition. As at the date of this announcement, no agreements have been entered into nor are there any negotiations undergoing for the acquisition of any international brand names.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 13 February 2007 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 15 February 2007.

PLACING AGREEMENT DATED 13 FEBRUARY 2007

Pursuant to the Placing Agreement, the Placing Agent agreed with Efulfilment to place, on a best effort basis, up to 178,000,000 existing Shares on behalf of Efulfilment at the Placing Price. The Company has been informed by the Placing Agent that all the Placing Shares have been successfully placed and that the placees to the Placing Shares are all third parties independent of the Company and its connected persons. Details of the Placing are set out below:

THE PLACING

The Vendor

Efulfilment, which is a controlling Shareholder and currently holding 652,800,000 Shares or approximately 36.77% of the existing issued share capital of the Company.

The Placing Agent

BNP Paribas Capital (Asia Pacific) Limited has been appointed to place, on a best effort 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 a maximum 178,000,000 Shares which represent approximately 10.03% of the existing issued share capital of the Company and approximately 9.11% 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\$1.09 per Placing Share represents:

- (i) a discount of approximately 14.8% to the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on 12 February 2007, being the last trading day immediately before the date of the Placing Agreement;
- (ii) a discount of approximately 4.7% to the average of the closing prices of approximately HK\$1.14 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 February 2007; and
- (iii) a premium of approximately 67.7% over the net asset value per Share of approximately HK\$0.65 based on the unaudited consolidated net asset value of the Group as at 30 September 2006 and the number of Shares in issue as at 30 September 2006 (both as shown in the interim report of the Company for the six months ended 30 September 2006).

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\$194 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 Completion Date.

Conditions of the Placing

The Placing is conditional upon the following (unless otherwise waived by the Placing Agent):

- (i) trading in the Shares on the Stock Exchange not having been suspended for any single consecutive period of more than 3 business days during any time prior to Completion (save for any temporary suspension for the purpose of clearance of this announcement); and
- (ii) there being no breach of the warranties, representations and/or undertakings given by Efulfilment and/or the Company under the Placing Agreement.

If any of the above conditions has not been fulfilled on or before 23 February 2007 (or such other date as the Placing Agent may agree in writing with Efulfilment and the Company), the obligations of the Placing Agent under the Placing Agreement shall unless otherwise waived by the Placing Agent ipso facto cease and determine. Both of the above conditions are waivable.

Completion

Subject to the fulfillment of the conditions above, completion of the Placing is expected to take place on 16 February 2007.

Termination

If, at any time prior to 9:30 a.m. on the Completion Date:

- (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 13 FEBRUARY 2007**The issuer**

The Company

The Subscriber

Efulfilment, which, as at the date of this announcement, is interested in approximately 36.77% 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 26.74% of the existing issued share capital of the Company. The Subscription will then increase the total shareholding of Efulfilment to approximately 33.42% 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 42.95% to approximately 32.92% immediately after completion of the Placing (assuming all the Placing Shares are successfully placed), and will be increased to approximately 39.03% immediately after completion of the Subscription.

As a result of the Placing and the Subscription, pursuant to Rule 26 of the Takeovers Code, Efulfilment and the parties acting in concert with it will then be required to make a mandatory general offer for all of the securities of the Company other than those already owned or agreed to be acquired by them. Efulfilment and the parties acting in concert with it will make an application to the SFC for the Waiver which is one of the conditions to the Subscription as set out under the heading "Conditions of the Subscription" below. The Waiver, if granted, will waive the obligation of Efulfilment and the parties acting in concert with it to make a mandatory general offer for all the securities of the Company, other than those already owned or agreed to be acquired by them.

Number of Subscription Shares

The number of Subscription Shares shall be a maximum of 178,000,000 Shares which is equivalent to the maximum number of the Placing Shares. The maximum of the Subscription Shares represent approximately 10.03% of the existing issued share capital of the Company and approximately 9.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The actual number of Subscription Shares to be subscribed by Efulfilment will be equal to the actual number of Placing Shares placed.

Subscription Price

The subscription price is HK\$1.09 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 a fund raising activity conducted by the Company. Based on the estimated expenses for the Placing and the Subscription and assuming all the Placing Shares are successfully placed, the net subscription price is approximately HK\$1.07 per Subscription 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 2006. Under the said general mandate, up to 348,832,800 Shares may be issued by the Company. Immediately prior to the Subscription, none of the said general mandate has been utilised.

Conditions of the Subscription

The Subscription is conditional upon the following conditions having been fulfilled by 26 February 2007 (or such other date as may be agreed between the Company and Efulfilment):

- (i) the completion of the Placing pursuant to the Placing Agreement;
- (ii) the granting of the Waiver; and
- (iii) 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 27 February 2007, 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 (being a company which is wholly-owned by Mr. Kwok Wing and acting in concert with Efulfilment) (legally or beneficially) or any company which is Efulfilment's and/or Sharp Asset Holdings Limited's holding company or subsidiary of any such holding company or directly or indirectly controlled by any of them, or in which any such person is interested at the date of the Placing Agreement, 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 as 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
Efulfilment (<i>Note 1</i>)	652,800,000 Shares (about 36.77%)	474,800,000 Shares (about 26.74%)	652,800,000 Shares (about 33.42%)
Sharp Asset Holdings Limited (<i>Note 1</i>)	109,624,000 Shares (about 6.18%)	109,624,000 Shares (about 6.18%)	109,624,000 Shares (about 5.61%)
Sub-total of Efulfilment and Sharp Asset Holdings Limited	762,424,000 Shares (about 42.95%)	584,424,000 Shares (about 32.92%)	762,424,000 Shares (about 39.03%)
Sansar Capital Management, LLC (<i>Note 2</i>)	263,064,000 (about 14.82%)	263,064,000 (about 14.82%)	263,064,000 (about 13.47%)
The placees	–	178,000,000 Shares (about 10.03%)	178,000,000 Shares (about 9.11%)
Public Shareholders (other than the placees)	749,804,600 Shares (about 42.23%)	749,804,600 Shares (about 42.23%)	749,804,600 Shares (about 38.39%)
Total	1,775,292,600 Shares (100%)	1,775,292,600 Shares (100%)	1,953,292,600 Shares (100%)

Notes:

1. The entire issued share capital of Efulfilment is owned by Mr. Kwok Wing and Mr. Kwok Chiu in equal proportion and the entire issued share capital of Sharp Asset Holdings Limited is owned by Mr. Kwok Wing. Mr. Kwok Chiu is the elder brother of Mr. Kwok Wing.
2. According to the form filed pursuant to Part XV of the SFO Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) by Sansar Capital Management LLC, it is an investment manager with a registered office in the US. To the best of the Directors' knowledge, information and belief, Sansar Capital Management, LLC and its ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons.

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\$190 million will be applied as to approximately HK\$90 million for the expansion of the Group's production capacity in Cambodia and in the PRC, as to approximately HK\$50 million for expansion of Mudd retail operation in the PRC and as to the remaining of approximately HK\$50 million as general working capital and international brand names acquisition. As at the date of this announcement, no agreements have been entered into nor are there any negotiations undergoing for the acquisition of any international brand names.

For 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

The Company carried out a top-up placing in about April 2006 raising capital, net of placing commission and other related expenses, of approximately HK\$229 million which was intended to 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 debts. As at the date of this announcement, the net proceeds from the said top-up placing have been fully utilised in the manner as disclosed in the announcement relating thereto. Save as aforesaid, there had not been other equity fund raising activity 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 9:30 a.m. on 13 February 2007 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 15 February 2007.

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
“Completion”	means completion of the Placing in accordance with the Placing Agreement;
“Completion Date”	the date of completion of the Placing;
“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 36.77% 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 Capital (Asia Pacific) Limited
“Placing Agreement”	the conditional placing agreement dated 13 February 2007 and entered into between Efulfilment, the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$1.09 per Placing Share
“Placing Shares”	up to 178,000,000 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 of the People’s Republic of China and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“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 13 February 2007 and entered into between the Company and Efulfilment in respect of the Subscription
“Subscription Shares”	up to 178,000,000 new Shares for which Efulfilment has conditionally agreed to subscribe pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers code”	the Hong Kong Code on Takeovers and Mergers
“Waiver”	a waiver granted by the Executive Director of the Corporate Finance Division of the SFC or any of his delegates pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of Efulfilmnet and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all securities of the Company other than those already owned or agreed to be acquired by Efulfilmnet and parties acting in concert with it as a result of the allotment and issue of the Subscription Shares

“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, 14 February 2007

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 Kwoo Seng.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

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