
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Tack Fat Group International Limited (Provisional Liquidators Appointed), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)

- (1) RESTRUCTURING OF TACK FAT GROUP INTERNATIONAL LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA,
(A) PROPOSED OPEN OFFER ON THE BASIS OF 339 OFFER SHARES FOR
EVERY 5 REORGANISED SHARES HELD ON THE OPEN OFFER RECORD DATE;
(B) PROPOSED ISSUE OF INVESTOR CONVERTIBLE BONDS;
(C) PROPOSED ISSUE OF CREDITORS CONVERTIBLE BONDS;
(D) PROPOSED SHARE CONSOLIDATION; AND
(E) GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES;
(2) CHANGE IN BOARD LOT SIZE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisor to the Company
and Underwriter to the Open Offer



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

Independent Financial Advisor to
The Independent Board Committee and Independent Shareholders



Investec

A letter of advice from ICAL to the Independent Board Committee and the Independent Shareholders is set out on pages 91 to 101 of this circular. The recommendations of the Independent Board Committee to the Independent Shareholders are set out on pages 89 to 90 of this circular.

To qualify for the Open Offer, a Qualifying Shareholder's name must appear on the register of members of the Company on the Open Offer Record Date, which is currently expected to be Wednesday, 13 July 2011. In order to be registered as members of the Company on the Open Offer Record Date, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 July 2011.

Notices convening the New EGM to be held at 14/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong at 11:00 a.m., on Wednesday, 13 July 2011 is set out on pages 140 to 146. Whether or not you intend to attend the New EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the New EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the New EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

If the Underwriter terminates the Supplemental Underwriting Agreement or if the conditions to the Supplemental Underwriting Agreement have not been fulfilled in accordance therewith, the Open Offer will not proceed. Shareholders and potential investors are advised to exercise due caution when dealing in the Shares, and if they are in any doubt about their position they should consult their professional advisors.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“Anway”	Anway Limited, an indirect wholly-owned subsidiary of the Company, which holds 90% share interest in Best Favour
“Asian Capital” or “Underwriter”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, the financial advisor to the Company and the underwriter to the Open Offer
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Best Favour”	Best Favour Investments Limited, an indirect 90%-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Capital Reorganisation”	the reorganisation of the share capital of the Company as set out in the Company’s circular dated 7 August 2010, which has become effective after 5:00 p.m. on Monday, 20 December 2010
“Cash Consideration”	the sum of HK\$50,000,000 in cash
“Cayman Companies Law”	the Companies Law (2010 Revision) of the Cayman Islands as amended from time to time
“Cayman Islands Court”	the Grand Court of the Cayman Islands
“Cayman Scheme”	the approved scheme of arrangement to be effected under Section 86 of the Cayman Companies Law, in its present form, or with or subject to modification of it, any addition to it or any condition approved or imposed by the Cayman Court
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Change in Board Lot”	the change in board lot size from 800 Reorganised Shares to 24,000 New Shares with effect immediately after the Share Consolidation becomes effective
“CITIC Bank”	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited), the creditor of Anway
“Claim”	any debt, liability or obligation whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated and which include without limitation a debt or liability to pay money or money’s worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution which would be admissible to proof in a compulsory winding-up of a company under the Companies Ordinance or the Cayman Companies Law
“Closing”	the completion of all the transactions contemplated under the Restructuring Agreement
“Closing Date”	the date being a business day on which Closing takes place or such other date as the Provisional Liquidators, the Company and the Investor may agree in writing
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	Tack Fat Group International Limited (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00928)
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the price at which the Conversion Shares will be issued upon conversion of the Investor Convertible Bonds or the Creditors Convertible Bonds
“Conversion Share(s)”	the Reorganised Share(s) or the New Share(s) to be issued upon (i) conversion of the Investor Convertible Bonds; and (ii) conversion of the Creditors Convertible Bonds, as the case may be
“Convertible Bonds”	the Creditors Convertible Bonds and the Investor Convertible Bonds

DEFINITIONS

“Creditor”	a person to whom or which the Company owes a Claim other than the Preferential Creditors
“Creditors Convertible Bonds”	the convertible bonds to be issued by the Company with a principal amount of HK\$20,000,000 and tenure of one year bearing an interest rate of 2% per annum and convertible into Reorganised Shares or New Shares at the option of the holders at the Conversion Price
“Creditors Subscription Agreement”	the subscription agreement dated 6 July 2010 entered into by the Company, the Provisional Liquidators, New Profit, and Key Winner setting out the terms and conditions of the Creditors Convertible Bonds and was supplemented and superseded by the Supplemental Creditors Subscription Agreement dated 27 May 2011
“Director(s)”	the director(s) of the Company
“Escrow Agent”	FTI Consulting (Hong Kong) Limited (formerly known as FS Asia Advisory Limited and Ferrier Hodgson Limited), a company incorporated in Hong Kong with limited liability
“Ever Century”	Ever Century Holdings Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company
“Ever Century Shares”	700 ordinary shares of US\$1.00 each, being the entire issued share capital of Ever Century
“Excluded Shareholder(s)”	the Shareholder(s), whose addresses as shown on the register of members of the Company on the Open Offer Record Date are in places outside Hong Kong where based on the legal opinions provided by the relevant overseas legal advisors to the Company, the Provisional Liquidators/Directors are of the opinion that it is necessary or expedient to exclude such Shareholder(s) from the Open Offer on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in such places
“Exclusivity and Escrow Agreement”	the exclusivity and escrow agreement date 12 January 2009 entered into between the Investor, the Provisional Liquidators and the Escrow Agent as amended pursuant to side letters dated 8 July 2009 and 8 January 2010 to grant the investor an exclusivity period to negotiate the restructuring of the Group
“Forefront”	Forefront Finance Co., Limited, a company incorporated in Hong Kong with limited liability

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hansom”	Hansom Finance Limited, a company incorporated in Hong Kong with limited liability
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Hong Kong Scheme”	the proposed scheme of arrangement to be effected under Section 166 of the Companies Ordinance, in its present form, or with or subject to modification of it, any addition to it or any condition approved or imposed by the Hong Kong Court
“ICAL”	Investec Capital Asia Limited (formerly known as Access Capital Limited), the independent financial advisor to the Independent Board Committee in relation to the Restructuring Agreement (including the Open Offer and the issue of the Convertible Bonds) and a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
“Independent Board Committee”	the independent board committee of the Board established which comprises all the independent non-executive Directors, who have no direct or indirect interest in the Restructuring Agreement (including the Open Offer and the issue of the Convertible Bonds), for advising the Independent Shareholders in relation to the Restructuring Agreement (including the Open Offer and the issue of the Convertible Bonds)
“Independent Shareholder(s)”	the independent Shareholders, (i) who are not the Interested Shareholders who are interested in (otherwise than solely as a Shareholder) the transactions contemplated in the Restructuring Agreement (including the issue of the Convertible Bonds), and therefore will abstain from voting in respect of the resolutions to approve the transactions contemplated under the Restructuring Agreement, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement in the New EGM; or (ii) who are not the controlling Shareholder(s) and therefore permitted to vote in respect of the resolution to approve the Open Offer in the New EGM

DEFINITIONS

“independent third part(y)(ies)”	third part(y)(ies) who is/are, to the best knowledge, information and belief of the Provisional Liquidators and the Directors, having made all reasonable enquiries, independent of the Company and its connected persons
“Interested Shareholders”	the Shareholders who are also the Creditors, namely QVT and Quintessence, holding an aggregate of 108,726 Reorganised Shares (adjusted for the Capital Reorganisation), representing approximately 0.05% of the existing issued share capital of the Company as at the Latest Practicable Date
“Investor”	Radford Developments Limited, a company incorporated in the BVI with limited liability
“Investor Convertible Bonds”	the convertible bonds to be issued by the Company with a principal amount of HK\$100,000,000 and tenure of three years bearing no interest and convertible into Reorganised Shares or New Shares at the option of the holders at the Conversion Price
“Investor Subscription Agreement”	the subscription agreement dated 24 June 2010 entered into by the Investor, the Company and the Provisional Liquidators setting out the terms and conditions of the Investor Convertible Bonds and was supplemented and superseded by the Supplemental Investor Subscription Agreement dated 27 May 2011
“Issue Mandate”	the general mandate proposed to be granted to the Directors to issue, allot and deal with additional New Shares of the Company not exceeding 20% of the total nominal amount of the issued share capital of the Company immediately after Closing
“Key Winner”	Key Winner Holdings Limited, a company incorporated in Hong Kong with limited liability which is controlled by the Provisional Liquidators
“Last Acceptance Date”	Thursday, 28 July 2011, being the last date for acceptance of and payment for the Offer Shares
“Last Trading Date”	30 July 2008, being the last trading date prior to the Suspension
“Latest Practicable Date”	27 June 2011, being the latest practicable date prior to the printing of this circular ascertaining certain information in this circular
“Latest Time for Termination”	4:30 p.m. on Tuesday, 2 August 2011

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2011
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company
“Merrier”	Merrier Limited, a company incorporated in the BVI with limited liability
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m. on Wednesday, 13 July 2011 or any adjournment thereof to approve the Open Offer, the issue of Convertible Bonds, the Share Consolidation and other transactions contemplated in the Restructuring Agreement
“New Profit”	New Profit Holdings Limited (In Creditors’ Voluntary Liquidation), a company incorporated in Hong Kong and a former indirect 90% owned subsidiary of the Company which commenced voluntarily wound up in May 2010
“New Profit Luo Ding”	New Profit Garment (Luo Ding) Company Limited, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of New Profit
“New Profit Stakeholders”	Swimwear, CITIC Bank and Noble Group Investment Limited and any other person that may be identified during the restructuring process
“New Proposal”	the new proposal for the restructuring of the Group proposed by the Investor to the Provisional Liquidators after the Previous Proposal was voted down and was epitomised by the Restructuring Agreement and the Supplemental Restructuring Side Letters
“New Proposal Announcement”	the announcement of the Company dated 2 June 2011 in relation to, among other things, the New Proposal
“New Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company after the Share Consolidation becomes effective. These include the Shares consolidated from the Reorganised Shares and the Offer Shares

DEFINITIONS

“Newco”	Shenzhen XZeZZ Clothing Company Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Offer Share(s)”	Reorganised Share(s) to be allotted and issued under the Open Offer, being 15,001,474,104 Reorganised Shares
“Old Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company before the Capital Reorganisation becomes effective
“Open Offer”	the proposed issue of the Offer Shares on the basis of 339 Offer Shares for every five Reorganised Shares held by the Qualifying Shareholders on the Open Offer Record Date on the terms to be set out in the Prospectus Documents and summarised herein
“Open Offer Record Date”	Wednesday, 13 July 2011, the expected date by reference to which entitlements to the Open Offer will be determined
“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) with registered address on the register of members of the Company outside Hong Kong at the close of business on the Open Offer Record Date
“Posting Date”	Thursday, 14 July 2011, the expected date for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Preferential Creditor”	any creditor of the Company with a Claim against the Company which would be treated as a preferential claim and have a priority in a winding-up commenced on 10 September 2008 in Hong Kong pursuant to Section 265 of the Companies Ordinance
“Previous Circular”	the circular to the Shareholders dated 31 August 2010 issued by the Company containing details of the Previous Proposal
“Previous EGM”	the extraordinary general meeting of the Company which was held on 15 September 2010

DEFINITIONS

“Previous Proposal”	the proposal for the restructuring of the Group submitted on behalf of the Investor to the Provisional Liquidators as amended from time to time and was epitomised by the Restructuring Agreement and the Supplemental Restructuring Side Letters
“Prospectus”	the prospectus of the Open Offer
“Prospectus Documents”	the Prospectus and the application form in respect of the assured entitlement under the Open Offer
“Provisional Liquidators”	Messrs Fok Hei Yu and Roderick John Sutton, the joint and several provisional liquidators of the Company, both of FTI Consulting (Hong Kong) Limited (formerly known as FS Asia Advisory Limited and Ferrier Hodgson Limited)
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose names appear on the register of members of the Company as at the close of business on the Open Offer Record Date
“Quintessence”	Quintessence Fund LP, a Creditor with a Claim of approximately HK\$9 million, representing approximately 0.73% of the total amount of Claims based on the latest published accounts of the Company as at 30 September 2010, and a Shareholder with an interest of 10,541 Reorganised Shares (adjusted for the Capital Reorganisation), representing approximately 0.005% of the existing issued share capital of the Company as at the Latest Practicable Date
“QVT”	QVT Fund LP, a Creditor with a Claim of approximately HK\$83 million, representing approximately 6.76% of the total amount of the Claims based on the latest published accounts as at 30 September 2010 and a Shareholder with an interest of 98,185 Reorganised Shares (adjusted for the Capital Reorganisation), representing approximately 0.044% of the existing issued share capital of the Company as at the Latest Practicable Date
“RA Announcement”	the announcement of the Company dated 7 June 2010 in relation to, <i>inter alia</i> , the entering into the Restructuring Agreement
“Reorganised Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation became effect after 5:00 p.m. on 20 December 2010

DEFINITIONS

“Repurchase Mandate”	the general mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase New Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company immediately after Closing on the Closing Date
“Restructuring Agreement”	the restructuring agreement dated 26 May 2010 entered into between the Company, the Provisional Liquidators, the Investor and the Escrow Agent in respect of the restructuring of the Group, as supplemented by two letter agreements dated 24 August 2010 and 27 May 2011 respectively
“Resumption Conditions”	<p>the following conditions set out in the Stock Exchange’s letter to the Company dated 26 May 2011 for the resumption of trading in the Shares:</p> <ol style="list-style-type: none">1) completion of the open offer, subscription of convertible bonds and all other transactions in the resumption proposal;2) publication of a circular containing the following:<ol style="list-style-type: none">a) detailed disclosure of the resumption proposal of the Company comparable to prospectus standard;b) profit forecast for each of the two years ending 31 March 2013 which should be prepared by the directors (including proposed directors) after due and careful enquiry; andc) pro forma balance sheet upon completion of the resumption proposal;3) provision of a comfort letter from the auditors or the financial advisor relating to working capital sufficiency for the next 12 months from the latest practicable date before expected resumption date; and4) provision of an undertaking to (a) appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date; and (b) disclose the review results in subsequent financial reports

DEFINITIONS

“Revolving Facility”	the working capital loan by way of a revolving facility in an aggregate amount equal to HK\$15 million provided by the Investor to the Company pursuant to the letter agreement dated 8 November 2010 and supplemented on 17 May 2011
“Scheme Administrators”	such persons who are appointed as scheme administrators or their successors pursuant to the terms of the Hong Kong Scheme or Cayman Scheme, as the case may be
“Scheme Creditors”	those Creditors whose Claims are to be dealt with under the Schemes
“Scheme Meetings”	meetings of Creditors to sanction the Schemes
“Schemes”	the Cayman Scheme and the Hong Kong Scheme
“Second Supplemental Restructuring Side Letter”	the side letter dated 27 May 2011 entered into between the Provisional Liquidators, the Investor and the Escrow Agent to further supplement the Restructuring Agreement
“Settlement Deed”	the settlement deed dated 3 April 2009 entered into between the Company, the Provisional Liquidators, Merrier, Forefront, Hansom for the transfer of the Ever Century Shares back to the Company as supplemented by two letter agreements on 9 April 2010 and 18 May 2011 respectively
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of the Company from time to time
“Share Consolidation”	the proposed share consolidation of every ten Reorganised Shares into one New Share
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-underwriting Agreements”	the six sub-underwriting agreements dated 27 June 2011 entered into between the Underwriter and each of the six sub-underwriters in respect of the sub-underwriting of all the Untaken Shares

DEFINITIONS

“Sub-underwriting Letter”	the sub-underwriting letter issued by the Investor to Asian Capital on 27 July 2010 to accept an offer to subscribe for all the Untaken Shares, which has lapsed
“Subscription Price”	the subscription price of HK\$0.01 per Offer Share
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supplemental Creditors Subscription Agreement”	the supplemental subscription agreement dated 27 May 2011 entered into by the Company, the Provisional Liquidators, New Profit and Key Winner to supersede the Creditors Subscription Agreement
“Supplemental Investor Subscription Agreement”	the supplemental subscription agreement dated 27 May 2011 entered into by the Investor, the Company and the Provisional Liquidators to supersede the Investor Subscription Agreement
“Supplemental Restructuring Side Letter”	the side letter dated 24 August 2010 entered into between the Provisional Liquidators, the Investor and the Escrow Agent to supplement the Restructuring Agreement
“Supplemental Restructuring Side Letters”	the Supplemental Restructuring Side Letter and the Second Supplemental Restructuring Side Letter
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 27 June 2011 entered into between the Company and the Underwriter to supersede the Underwriting Agreement
“Suspension”	the suspension of trading in the Shares on the Stock Exchange since 30 July 2008
“Swimwear”	Tack Fat Swimwear Manufacturing Limited (In Liquidation), a former indirect wholly-owned subsidiary of the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 27 July 2010 pursuant to which the Underwriter will fully underwrite the Offer Shares, and was superseded by the Supplemental Underwriting Agreement dated 27 June 2011

DEFINITIONS

“Untaken Shares”	the Offer Shares which have been offered to but have not been accepted by the Qualifying Shareholders and the Offer Shares to which the Excluded Shareholders would have been entitled to if they are regarded as the Qualifying Shareholders and any fractional entitlement thereof
“Voting Results Announcement”	the announcement of the Company dated 15 September 2010 in relation to the voting results of the extraordinary general meeting of the Company held on 15 September 2010
“Working Capital Account”	an account in the name of and controlled by the Provisional Liquidators into which the Investor has deposited HK\$10 million pursuant to the Exclusivity and Escrow Agreement
“XXEZZ Assets”	the assets which are essential part of the Group’s retail apparel business in the PRC, namely inventory, accounts receivables and fixed assets, including the trademark of <i>XXEZZ</i>
“%”	per cent
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America

Unless the context requires otherwise, translation of HK\$ into RMB is made in this circular, for illustration purpose only, at the rates of approximately HK\$1.00 = RMB0.85.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

EXPECTED TIMETABLE

The expected timetable for the Open Offer and Share Consolidation set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Open Offer and Share Consolidation will be fulfilled. The expected timetable is expected to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

EXPECTED TIMETABLE

<i>Latest time for lodging transfer of Old Shares to be qualified for the Capital Reorganisation (historical event for reference only)</i>	<i>4:30 p.m. on Monday, 20 December 2010</i>
<i>Record date and effective date of the Capital Reorganisation (historical event for reference only)</i>	<i>after 5:00 p.m. on Monday, 20 December 2010</i>
Last day of cum-entitlements of the Reorganised Shares.	Thursday, 7 July 2011
First day of ex-entitlements of the Reorganised Shares.	Friday, 8 July 2011
Latest time for lodging proxy forms for the New EGM.	11:00 a.m. on Monday, 11 July 2011
Latest time for lodging transfer of the Reorganised Shares in order to qualify for the Open Offer	4:30 p.m. on Monday, 11 July 2011
Closure of register of members to determine the eligibility of the Open Offer (both dates inclusive)	Tuesday, 12 July 2011 to Wednesday, 13 July 2011
Open Offer Record Date.	Wednesday, 13 July 2011
Expected date of the New EGM	11:00 a.m. on Wednesday, 13 July 2011
Announcement of results of the New EGM.	Wednesday, 13 July 2011
Despatch of the Prospectus Documents of the Open Offer	Thursday, 14 July 2011

EXPECTED TIMETABLE

Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on Thursday, 28 July 2011
Latest Time for Termination of the Open Offer.	4:30 p.m. on Tuesday, 2 August 2011
Announcement of results of the Open Offer	Wednesday, 3 August 2011
Latest time for lodging transfer of the Reorganised Shares, the share certificates of which are in blue, subject to the Share Consolidation	4:30 p.m. on Thursday, 4 August 2011
Effective date of the Share Consolidation and Change in Board Lot and record date for posting of new share certificates for the New Shares	after 5:00 p.m. on Thursday, 4 August 2011
Despatch of share certificates in yellow for the New Shares, which are the Shares consolidated from both the Reorganised Shares and the Offer Shares, and automatically void of the old share certificates, which are in blue	Friday, 5 August 2011
If the Open Offer is terminated, refund cheques to be despatched on or before	Friday, 5 August 2011
Resumption of trading and dealings in the New Shares commence	9:00 a.m. on Tuesday, 9 August 2011

Note: All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Open Offer and the Share Consolidation are indicative only and may be extended or varied by agreement between the Company and the Underwriter and the approval by the Stock Exchange of such amendments. Any consequential changes to the expected timetable will be published or notified to the Shareholders appropriately.

EXPECTED TIMETABLE

Effect of bad weather on the latest time for acceptance of and payment for the Open Offer

If there is:

- a tropical cyclone warning signal number 8 or above, or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date, the latest time of acceptance of and payment for the Offer Shares will not take place at 4:00 p.m. on the Last Acceptance Date, but will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date, the latest time of acceptance of and payment for the Offer Shares will not take place on the Last Acceptance Date, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. If the latest time for acceptance of and payment for the Offer Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. An announcement will be made by the Company in such event.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD



TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)

Provisional Liquidators:

Mr. John Roderick SUTTON

Mr. FOK Hei Yu

Non-executive Directors:

Mr. MCMULLEN James

Independent non-executive Directors:

Mr. PAU Chin Hung, Andy

Mr. CHOONG Khuat Leok

Mr. KOOI Tock Chian

Registered Office:

Century Yard

Cricket Square, Hutchins Drive

George Town, Grand Cayman

Cayman Islands

British West Indies

Principal place of business:

c/o 14/F The Hong Kong Club Building

3A Chater Road, Central

Hong Kong

27 June 2011

To the Shareholders

Dear Sir or Madam,

**(1) RESTRUCTURING OF TACK FAT GROUP INTERNATIONAL LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA,
(A) PROPOSED OPEN OFFER ON THE BASIS OF 339 OFFER SHARES FOR
EVERY 5 REORGANISED SHARES HELD ON THE OPEN OFFER RECORD DATE;
(B) PROPOSED ISSUE OF INVESTOR CONVERTIBLE BONDS;
(C) PROPOSED ISSUE OF CREDITORS CONVERTIBLE BONDS;
(D) PROPOSED SHARE CONSOLIDATION; AND
(E) GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES;
AND
(2) CHANGE IN BOARD LOT SIZE OF THE NEW SHARES**

INTRODUCTION

Reference is made to the announcements of the Company dated 6 December 2010 and 8 December 2010 in relation to the completion of the Capital Reorganisation and the New Proposal Announcement in relation to the New Proposal.

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Reasons for the New Proposal

In the Previous EGM, all of the resolutions in relation to the restructuring of the Company, except for the appointment of the new Directors upon Closing, as set out in the Previous Circular were voted down by the Independent Shareholders voted in person or by proxy.

However, the Provisional Liquidators still believe that the restructuring of the Company is in the interest of all the Shareholders and it was announced by the Company on 20 October 2010 that the Investor had indicated an intention to make a new proposal for the restructuring of the Company. Following lengthy discussion among the Provisional Liquidators and the Investor, the New Proposal was arrived at which the Provisional Liquidators consider it a rescue of the Company.

The principal elements of the New Proposal are materially the same as the Previous Proposal as described in the Previous Circular that there will be the Open Offer and the issue of the Convertible Bonds with the same terms. The Restructuring Agreement (as amended by the Supplemental Restructuring Side Letter) has been further amended by the Second Supplemental Restructuring Side Letter, pursuant to which, it is agreed, *inter alia*, that the Investor will no longer sub-underwrite the Open Offer. As such, the Investor and the parties acting in concert with it will not trigger any general offer obligations under the Takeovers Code and furthermore, the Company's settlement of Claims with those Creditors who are also Shareholders no longer requires a consent of the Executive as Rule 25 of the Takeovers Code is no longer applicable to the New Proposal. The Open Offer is sub-underwritten by six sub-underwriters. Except for one being a fellow subsidiary of the Underwriter, all the other sub-underwriters are independent third parties.

The New Proposal will give all the Shareholders, especially those holding in aggregate up to approximately 75% of the voting rights of the Company who did not vote in person or by proxy in the Previous EGM, another chance to participate in the restructuring of the Company.

As disclosed in the Previous Circular and detailed in the section headed "Debt restructuring" in this circular below, Ever Century, a direct wholly-owned subsidiary of the Company, holds directly and indirectly the issued share capital of all the remaining subsidiary companies in the Group. The Company operates its principal business through Ever Century and its subsidiaries. However, the transfer of the Ever Century Shares back to the Company is subject to the terms of the Settlement Deed. Pursuant to the Settlement Deed (as supplemented on 9 April 2010 and 18 May 2011), if the restructuring of the Company is not completed by 3 April 2012, there is a possibility that the share charge over the Ever Century Shares will be exercised and the ownership of Ever Century and its subsidiaries will be transferred to certain creditors. As such, the Company will no longer have any operations sufficient for maintaining a listing status on the Stock Exchange. Therefore, there is a possibility that the Company will be placed into liquidation and the Shareholders will receive nothing.

Although the Company is now in the first stage of the delisting procedures under Practice Note 17 to the Listing Rules, which is not the last stage of the delisting procedures, the Shareholders should take note that there is no certainty that the Company can secure a new investor who is capable of submitting a resumption proposal to the satisfactory of the Stock Exchange. Shareholders should also note that the Investor was the only successful bid that the Provisional Liquidators received following the publication of a public notice by the Provisional Liquidators in 2008 which was not rejected by the Creditors.

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As at the Latest Practicable Date, there were 221,260,680 Reorganised Shares in issue. As set out in the Previous Circular and the Voting Results Announcement, (i) Mr. Kwok Wing, being the controlling Shareholder interested in 76,242,400 Reorganised Shares (as adjusted for the Capital Reorganisation), and his associates abstained from voting in favour of the resolution in respect of the Open Offer; and (ii) the Interested Shareholders, QVT and Quintessence, being interested (other than solely being a Shareholder) in the Restructuring Agreement (including the Investor Subscription Agreement and the Creditors Subscription Agreement) and the relevant resolutions in relation to the Takeovers code with an aggregate of 108,726 Reorganised Shares (as adjusted for the Capital Reorganisation), and parties acting in concert with any of them abstained from voting for the resolutions in respect of the entering into the Restructuring Agreement, the issue of the Convertible Bonds, the Open Offer, and the relevant resolutions in relation to the Takeovers code. However, as announced by the Company on 15 September 2010 in the Voting Results Announcement, only 52,468,965 Reorganised Shares (as adjusted for the Capital Reorganisation), representing (i) about 36.21% of the 144,909,554 Reorganised Shares (as adjusted for the Capital Reorganisation) eligible to vote on the resolution in respect of the Open Offer were voted in person or by proxy at the Previous EGM; and (ii) about 23.73% of the 221,151,954 Reorganised Shares (as adjusted for the Capital Reorganisation) eligible to vote, for the resolutions in relation to the entering into of the Restructuring Agreement, the issue of the Convertible Bonds, and the relevant resolutions in relation to the Takeovers Code were voted in person or by proxy at the Previous EGM. The Provisional Liquidators are of the view that the low turnout rate of the Independent Shareholders at the Previous EGM might have affected the results of the voting. **THE PROVISIONAL LIQUIDATORS AND DIRECTORS URGE THE SHAREHOLDERS TO EXERCISE THEIR SHAREHOLDERS' RIGHTS TO PARTICIPATE IN THE VOTING OF THE RESOLUTIONS TO BE PROPOSED AT THE NEW EGM.**

Advice from the Independent Board Committee and ICAL is included in this circular. Shareholders are advised to read these letters of advice carefully before making decisions on the voting of the resolutions to be proposed at the New EGM.

The Provisional Liquidators wish to remind the Shareholders that trading in the Shares has been suspended for more than two years and the Investor was the only successful bid that the Provisional Liquidators received and which was not rejected by the Creditors. If the resolutions to be proposed at the New EGM cannot be passed, there is no assurance that the Investor is willing to continue the rescue of the Company and there is a possibility that the Company will be placed into liquidation and the Shareholders will receive nothing.

THE RESTRUCTURING AGREEMENT AND THE SUPPLEMENTAL RESTRUCTURING SIDE LETTERS

On 26 May 2010, 24 August 2010 and 27 May 2011, the Company, the Provisional Liquidators, the Investor and the Escrow Agent entered into the Restructuring Agreement, the Supplemental Restructuring Side Letter and the Second Supplemental Restructuring Side Letter respectively, which provided for, inter alia, the proposed terms for the Capital Reorganisation (which has become effective after 5:00 p.m. on Monday, 20 December 2010 as announced by the Company on 6 and 8 December 2010), the Open Offer, the issue of the Investor Convertible Bonds, and debt restructuring including the Schemes and the issue of the Creditors Convertible Bonds, and the Share Consolidation. Detailed

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terms of these proposed transactions are set out in the relevant sections below in this circular. As the expected date for the satisfaction of all the Resumption Conditions will be delayed according to the expected timetable set out in the section headed "Expected Timetable" in this circular, the Company had applied and the Stock Exchange has agreed on 26 May 2011 that the time for the satisfaction of the Resumption Conditions is extended to 15 September 2011.

Conditions precedent

Closing is conditional on satisfaction of each of the following conditions precedent (unless waived by agreement in writing by the Investor and the Provisional Liquidators):

- (i) the Hong Kong Scheme being sanctioned by the Hong Kong Court;
- (ii) the Cayman Scheme being sanctioned by the Cayman Islands Court;
- (iii) the issue of Investor Convertible Bonds and Creditors Convertible Bonds, the Capital Reorganisation, the Open Offer, the appointment of the new Directors, the Share Consolidation, and other transactions contemplated in the Restructuring Agreement being approved by the Shareholders in the New EGM;
- (iv) the approval for resumption of trading in the New Shares being confirmed by the Stock Exchange;
- (v) the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the New Shares in issue upon Closing and to be issued upon conversion of the Convertible Bonds;
- (vi) the withdrawal of the petition to wind-up the Company and the discharge of the Provisional Liquidators;
- (vii) the due execution of the Supplemental Investor Subscription Agreement, the Supplemental Creditors Subscription Agreement, the Supplemental Underwriting Agreement and the New Profit Agreement;
- (viii) the completion of the Open Offer;
- (ix) the execution of transfer agreement in respect of transfer of claims and any non-XXEZZ Assets to Key Winner (for the benefit of the Scheme Creditors);
- (x) the release of share charges over Ever Century Shares; and
- (xi) provision of evidence of the Investor having fulfilled its payment obligations under the Restricting Agreement on Closing.

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Referring to the announcements of the Company dated 6 and 8 December 2010, the Capital Reorganisation has become effective. The appointment of the new Directors, namely Mr. Phillip King, Mr. Ho Tak Fun, Josef and Mr. Chiu Siu Po has been approved by the Shareholders at the Previous EGM. Such appointment will be effective upon Closing. Referring also to the announcement of the Company dated 8 September 2010, the Cayman Scheme was sanctioned by the Cayman Court on 7 September 2010. The Provisional Liquidators will be discharged before the resumption of trading in the New Shares.

The New Profit Agreement was executed on 30 July 2010. The Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement were executed on 27 May 2011. The Supplement Underwriting Agreement was executed on 27 June 2011.

As such, conditions (ii) and (vii) have been satisfied.

Other than the removal of conditions in relation to the compliance with of the Takeovers Code which is no longer applicable, and the addition of the Share Consolidation and Change in Board Lot, there are no material changes to the conditions precedent (as set out in the Previous Circular) of the Restructuring Agreement pursuant to the Second Supplemental Restructuring Side Letter.

Interim working capital

The Provisional Liquidators shall hold the working capital provided by the Investor (the “**Working Capital Loan**”) under the Exclusivity and Escrow Agreement in the Working Capital Account to be used pending Closing or termination of the Restructuring Agreement solely for the purpose of funding the working capital needs of the garment retail business in the PRC pending Closing or termination of the Restructuring Agreement. Any amounts standing to the credit of the Working Capital Account will be paid by the Provisional Liquidators to the Investor on termination of the Restructuring Agreement or upon Closing to the Company on the Closing Date.

There is no change to the working capital arrangements pursuant to the Second Supplemental Restructuring Side Letter.

Group reorganisation

It was disclosed in the 2009 annual report of the Company that pursuant to the Company’s announcement dated 29 May 2007, the Company acquired the *XXEZZ* business in June 2007 by acquiring 90% interest in Best Favour, which was principally engaged in fashion design and management of its *XXEZZ* brand of smart casual wear. Investigations conducted by the Provisional Liquidators show that the brand “*XXEZZ*” did not belong to the Group. However, Best Favour has always been managing the brand of *XXEZZ* pursuant to a written authority. With the Provisional Liquidators’ effort to rectify such situation, *XXEZZ* trademark is now owned by a company, which does not belong to the Group but is controlled by the Provisional Liquidators. As previously disclosed in the Previous Circular, the Provisional Liquidators will take all necessary steps to transfer the *XXEZZ* trademark to the Group to facilitate the Group’s business continuity before Closing and undertake to take such other steps as are necessary to procure that except for the proceeds from the Open Offer and issue of the Investor Convertible Bonds, the *XXEZZ* Assets are the sole assets of the Group on Closing.

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The XXEZZ Assets are held by New Profit Luo Ding. In December 2009, the Company set up an indirectly wholly owned subsidiary, Newco, which has gradually taken up the XXEZZ business from New Profit Luo Ding. Before Closing, Newco will acquire all the remaining assets of New Profit Luo Ding at the carrying value. Upon Closing, the Group will have 100% interest in the XXEZZ business.

This intention remains the same as that stated in the Previous Circular and has not changed pursuant to the Second Supplemental Restructuring Side Letter.

Termination

The Provisional Liquidators may terminate the Restructuring Agreement on written notice to the Investor if the Investor breaches or defaults in any of its obligations under the Restructuring Agreement or fails to comply fully with such obligations and fails to rectify such breach, default or non-compliance within ten business days of the Provisional Liquidators notifying the Investor in writing of such breach, default or non-compliance. If the Restructuring Agreement is terminated in this manner, all the Claims together with interest shall continue to remain due and payable by the Company and the Provisional Liquidators will be entitled to retain all amounts standing to the credit of the account controlled by the Provisional Liquidators for the purpose of paying costs and expenses for implementing the New Proposal (the “**Costs Account**”).

The Investor shall be entitled to terminate the Restructuring Agreement on written notice to the Company and the Provisional Liquidators if Closing does not occur on or before the Long Stop Date other than as a result of the Investor breaching or defaulting in any of its obligations under the Restructuring Agreement or failing to comply fully with its obligations under the Restructuring Agreement. If the Restructuring Agreement is terminated in this manner, all the Claims together with interest shall continue to remain due and payable by the Company and the Provisional Liquidators will transfer to the Investor all amounts standing to the credit of the Working Capital Account and the Costs Account, less any unpaid costs and expenses payable up to the date of termination.

The Restructuring Agreement shall be terminated automatically if:

- (i) the listing of the Shares has been cancelled by the Stock Exchange before the Closing Date and the Company has failed in an appeal to the Listing Appeals Committee of the Stock Exchange to reverse the decision;
- (ii) an order has been made by the Hong Kong Court to wind-up the Company; or
- (iii) the Provisional Liquidators and the Investor agree in writing that the Restructuring Agreement shall be terminated.

If the Restructuring Agreement is terminated automatically, all the Claims together with interest shall continue to remain due and payable by the Company and the Provisional Liquidators will transfer to the Investor all amounts standing to the credit of the Working Capital Account and the Costs Account, less any unpaid costs and expenses payable up to the date of termination.

These terms remain the same as stated in the Previous Circular and have not been changed pursuant to the Second Supplemental Restructuring Side Letter.

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Exclusivity and Escrow Agreement

The Exclusivity and Escrow Agreement has taken effect since 12 January 2009 and until the date on which it terminates, the Provisional Liquidators will not negotiate, enter into or continue any binding commitment (whether on a conditional or unconditional basis) with any other party for the restructuring of the outstanding indebtedness and/or share capital and/or assets of any member of the Group, save for those subsidiaries and associated companies of the Company which did not form part of the New Proposal.

Pursuant to the Exclusivity and Escrow Agreement, the Investor shall pay the Working Capital Loan of HK\$10 million to the Escrow Agent as a loan to the Company to enable the Group to meet its working capital requirements during the exclusivity period.

Upon the completion of the Restructuring Agreement, the Working Capital Loan shall not be transferred or dealt with under the Schemes and will remain as a debt owed by the Company to the Investor who will have an option to convert the principal amount of the Working Capital Loan into subscription money for the Investor Convertible Bonds.

Pursuant to the Restructuring Agreement, the Exclusivity and Escrow Agreement will continue in full force and effect until the earlier of the Closing or the termination of the Restructuring Agreement. There is no change to the terms of the Exclusivity and Escrow Agreement pursuant to the Supplemental Restructuring Side Letters.

PROPOSED OPEN OFFER

Pursuant to the Restructuring Agreement, the Company agreed to raise approximately HK\$150 million before expenses, by way of the Open Offer of 15,001,474,104 Offer Shares at the Subscription Price of HK\$0.01 per Offer Share on the basis of 339 Offer Shares for every five Reorganised Shares held by the Qualifying Shareholders on the Open Offer Record Date and payable in full on application. The Offer Shares will have a nominal amount of approximately HK\$150 million in aggregate.

There is no material change to the terms of the Open Offer disclosed in the Previous Circular pursuant to the Second Supplemental Restructuring Side Letter other than the change of the timetable due to delay, the underwriting arrangements and the Share Consolidation as set out below.

Issue statistics of the Open Offer

Basis of the Open Offer	:	339 Offer Shares for every five Reorganised Shares held on the Open Offer Record Date by the Qualifying Shareholders
Subscription price	:	HK\$0.01 per Offer Share payable in full upon application
Number of shares in issue	:	221,260,680 Reorganised Shares

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- Number of Offer Shares : 15,001,474,104 Offer Shares, representing:
- (a) approximately 6,780.00% of the existing issued share capital of the Company;
 - (b) approximately 98.55% of the issued share capital of the Company as enlarged by the issue of the Offer Shares;
 - (c) approximately 59.48% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only assuming the Conversion Price being HK\$0.01 per Reorganised Share;
 - (d) approximately 87.10% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of the Creditors Convertible Bonds only assuming the Conversion Price being HK\$0.01 per Reorganised Share; and
 - (e) approximately 55.11% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds and Creditors Convertible Bonds assuming the Conversion Price being HK\$0.01 per Reorganised Share;
- Enlarged issued share capital : 15,222,734,784 Reorganised Shares
upon completion of the
Open Offer
- Enlarged issued share : 1,522,273,478 New Shares (*Note*)
capital after the
completion of the Share
Consolidation and upon
resumption of trading
in the Shares

Note:

The Share Consolidation of ten Reorganised Shares into one New Share will take place after the completion of the Open Offer but before the Closing. Therefore, theoretical subscription price per New Share under the Open Offer should be ten times of the Subscription Price.

Qualifying Shareholders

The Open Offer will be available only to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders.

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To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Open Offer Record Date and not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Open Offer Record Date, Shareholders must lodge any transfers of the shares of the Company (with the relevant share certificate(s)) with the Hong Kong share branch registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Monday, 11 July 2011.

Closure of register of members and Open Offer Record Date for the Open Offer

The Company's register of members will be closed from Tuesday, 12 July 2011 to Wednesday, 13 July 2011 (both dates inclusive), for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Reorganised Shares will be registered during this period. The Open Offer Record Date will be on Wednesday, 13 July 2011.

Subscription Price

The Subscription Price for the Offer Shares is HK\$0.01 per Offer Share, payable in full upon application under the Open Offer.

The Subscription Price, which is equivalent to the par value of the Reorganised Shares, represents:

- (a) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the closing price of HK\$0.40 per Old Share as quoted on the Stock Exchange on the Last Trading Date);
- (b) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the average closing price of HK\$0.446 per Old Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date);
- (c) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per Reorganised share as adjusted for the effect of the Capital Reorganisation (based on the average closing price of HK\$0.479 per Old Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date);
- (d) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per Reorganised Share of approximately HK\$5.86 as at 31 March 2010 (based on the Company's audited consolidated net liabilities of approximately HK\$1,297 million as at 31 March 2010 and 221,260,680 Reorganised Shares in issue as at the Latest Practicable Date); and

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- (e) a premium of approximately HK\$6.26 over the unaudited consolidated net liabilities per Reorganised Share of approximately HK\$6.25 as at 30 September 2010 (based on the Company's unaudited consolidated net liabilities of approximately HK\$1,383 million as at 30 September 2010 and 221,260,280 Reorganised Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiations between the Company and the Investor. In determining the Subscription Price, the Company and the Investor have taken into consideration, among other things, the Suspension and the audited consolidated net liabilities per Reorganised Share of approximately HK\$5.86 as at 31 March 2010 based on the Company's audited consolidated net liabilities of approximately HK\$1,297 million as set out in the Company's published audited financial statements for the year ended 31 March 2010 and 221,260,680 Reorganised Shares in issue. Such net liabilities per Reorganised Share increased to approximately HK\$6.25 as at 30 September 2010 based on the Company's unaudited net liabilities of approximately HK\$1,383 million as set out in the Company's published unaudited interim financial statements for the six months ended 30 September 2010 and 221,260,680 Reorganised Shares in issue.

Each Shareholder will be entitled to subscribe for the Offer Shares at the same price up to in proportion to his/her/its existing shareholding in the Company. The Directors, excluding the members of the Independent Board Committee (whose view is subject to the advice from ICAL, the Company's independent financial advisor) and the Provisional Liquidators, consider that the terms of the Open Offer including the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fractions of Offer Shares

Fractional entitlements to Offer Shares will not be issued but will be aggregated and taken up by the Underwriter as described in section headed "Underwriting arrangement" below. For illustration, if a Qualifying Shareholder holds 13 Reorganised Shares as at the Open Offer Record Date, he/she/it will be entitled to subscribe for up to 881 Offer Shares on a pro-rata basis.

Since the Share Consolidation is proposed to be implemented after the Open Offer and fractional New Shares will be disregarded and not issued to the Shareholders after completion of the Share Consolidation, Shareholders shall bear in mind that every ten Reorganised Shares (aggregating the Reorganised Shares then held and the Offer Shares subscribed for) on the effective date of the Share Consolidation will then be consolidated into one New Share under the Share Consolidation as described below. Following completion of the Open Offer, the single-digit of the number of Reorganised Shares held by a Shareholder will therefore be disregarded when the Share Consolidation becomes effective. Shareholders shall take this into account when they submit their subscription forms such that total number of Reorganised Shares held after completion of the Open Offer but before Share Consolidation will be a multiple of ten. For example, as there is no excess application, a Shareholder holding 80 Reorganised Shares are advised and reminded to subscribe for 5,420 Offer Shares, with a total subscription money of HK\$54.20, instead of the entitlement of 5,424 Offer Shares such that he or she or it will hold 5,500 Reorganised Shares after completion of the Open Offer. After completion of the Open Offer and the Share Consolidation, he or she or it will hold 550 New Shares with a par of HK\$0.10 per New Share.

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Share certificates for the fully-paid Offer Shares and refund cheques

As the Subscription Price of HK\$0.01 per share approaches to the extremity trading price, under Rule 13.64 of the Listing Rules, the Company has decided to conduct the Share Consolidation before the resumption of trading to establish, if possible, a transacted price for the New Shares immediately prior to the resumption of trading in the New Shares away from the extremity of HK\$0.01. Details of the proposed terms of the Share Consolidation are set out in the section headed “Proposed Share Consolidation and change in board lot size” below. To minimise administration costs and avoid confusion, share certificates for all fully paid Offer Shares will not be posted to the Qualifying Shareholders immediately after the Latest Time for Termination, instead, the respective share certificates for the New Shares upon the completion of the Share Consolidation on or before Friday, 5 August 2011 will be despatched to all the Shareholders by ordinary post at their own risk.

If the Open Offer is terminated, refund cheques will be despatched on or before Friday, 5 August 2011 by ordinary post at the respective Shareholders’ own risk.

Status of the Offer Shares

The Offer Shares (when fully paid and allotted) will rank *pari passu* in all respects with the Reorganised Shares in issue on the date of allotment. The Offer Shares will be consolidated into the New Shares subject to the Share Consolidation and only the correspondent New Shares will be issued to the relevant Shareholders. Holders of such shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of the allotment and issue of the New Shares.

Rights of Excluded Shareholders

If, on the Open Offer Record Date, a Shareholder’s address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdictions outside Hong Kong. The Board will make enquiries as to whether the offer of the Offer Shares, the despatch of the Prospectus Documents or the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 13.36(2)(a) of the Listing Rules. If, based on the legal opinions provided by the relevant overseas advisors to the Company, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders on account of either the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available or extended to such Overseas Shareholders. The results of the enquiries and the basis of any exclusion of the Excluded Shareholders will be included in the Prospectus and the Overseas Letter.

The Company will send the Prospectus, for information only, to the Excluded Shareholders (if any) and will not send any application form in respect of the assured allotment of Offer Shares to the Excluded Shareholders. However, so long as the Excluded Shareholders are Independent Shareholders, they are entitled to cast their votes on the resolution(s) in relation to the Open Offer in the New EGM.

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No Transfer of nil-paid entitlements, no application for excess Offer Shares

The invitation to subscribe for Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange. The Company has also decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements. Considering that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its entitlements under the Open Offer, the Company considers it appropriate not to put in additional effort and costs to administer the excess application procedures. Any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter as described in the section headed "Underwriting arrangement" below.

Application for listing

Due to the proposed implementation of the Share Consolidation, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares instead of the Offer Shares.

Conditions of the Open Offer

Completion of the Open Offer is conditional, among other things, upon:

- (i) the passing of the necessary resolutions by the Independent Shareholders at the New EGM to approve the Open Offer and the Share Consolidation;
- (ii) the Hong Kong Scheme being sanctioned by the Hong Kong Court and the Cayman Scheme being sanctioned by the Cayman Islands Court;
- (iii) the duly execution of the Supplemental Underwriting Agreement and the Supplemental Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors as having been approved by the resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only, explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Posting Date; and

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- (vi) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the New Shares by no later than the first day of their dealings.

As at the Latest Practicable Date, the Cayman Islands Court has sanctioned the Cayman Scheme. The Supplemental Underwriting Agreement was entered into on 27 June 2011.

Reasons for the Open Offer and the use of proceeds

The Group is principally engaged in the retailing of apparels in the PRC.

The Company will receive net proceeds of approximately HK\$146 million after expense from the Open Offer.

All the proceeds will be applied for general working capital and cash buffer for any adverse business conditions and/or hidden costs that the Company might not be fully aware of.

In view of the potential dilution effect of the interests of the Shareholders due to the issue of Investor Convertible Bonds and the Creditors Convertible Bonds, the Open Offer is an opportunity for the Shareholders to participate in the growth of the Group.

Underwriting arrangement

On 27 June 2011, the Company and the Underwriter entered into the Supplemental Underwriting Agreement to supersede the Underwriting Agreement. The Underwriter, which is licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, is also the financial advisor to the Company. Save for that, the Underwriter is an independent third party of the Company or any of the Directors, chief executive, substantial shareholders of the Company or any of their respective associates. Save for being engaged as the financial advisor to the Company, the entering into the Underwriting Agreement and the Supplemental Underwriting Agreement with the Company, and the entering into the Sub-underwriting Letter with the Investor, which has lapsed, there is no agreement or arrangement between the Underwriter and the Company or the Investor, its ultimate beneficial owner and associates.

Pursuant to the Supplemental Underwriting Agreement, the Underwriter has conditionally agreed to fully subscribe or procure subscriber(s) to subscribe for the Untaken Shares. The maximum number of the Untaken Shares underwritten by the Underwriter is 15,001,474,104 Offer Shares. The Underwriter will receive an underwriting commission of 2.75% of the aggregate Subscription Price for the Offer Shares.

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Conditions precedent to the Supplemental Underwriting Agreement

The obligations of the Company and the Underwriter under the Supplemental Underwriting Agreement are conditional upon:

- (a) the approval by the Shareholders (or the Independent Shareholders as the case may be) in the New EGM of all the transactions contemplated under the Restructuring Agreement and the Supplemental Underwriting Agreement including but not limited to the allotment of the Offer Shares and the issue of the relevant New Shares upon the Share Consolidation;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Posting Date; and
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the New Shares by no later than the first day of their dealings as stated in the Prospectus.

If any of the conditions is not fulfilled by the respective time and/or date specified above (or such later time and/or date as the Underwriter and the Company may agree), then either party may by notice to the other party terminate the Supplemental Underwriting Agreement, in which case, no party to the Supplemental Underwriting Agreement shall have any claim against any other party to the Supplemental Underwriting Agreement for costs, damages, compensation or otherwise except that such termination shall be without prejudice to any accrued rights or obligations under the Supplemental Underwriting Agreement.

Underwriter's obligations under the Supplemental Underwriting Agreement

If and to the extent that at 4:00 p.m. on the business day after the Last Acceptance Date, there shall be any Untaken Shares, then the Underwriter shall subscribe or shall procure subscriber(s) to subscribe for all such Untaken Shares on the terms as set out in the Prospectus Documents (other than as to the time of acceptance and payment) and shall pay or procure to be paid to the Company the aggregate Subscription Price in respect of the Untaken Shares by not later than 4:30 p.m. on the third business day after the Last Acceptance Date.

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The Underwriter shall provide the name(s) and account number(s) of itself or such subscriber(s) to the Company by not later than 4:30 p.m. on the second business days after the Last Acceptance Date. Following payment as aforesaid, all obligations and liabilities of the Underwriter under the Supplemental Underwriting Agreement shall cease.

Sub-underwriting arrangement

The Sub-underwriting Letter has lapsed. The Investor has decided not to subscribe for or sub-underwrite any Untaken Shares arising from the Open Offer.

The Underwriter has entered into six Sub-underwriting Agreements with six sub-underwriters, and the six sub-underwriters in aggregate will underwrite a maximum of 15,001,474,104 Untaken Shares. Each of them will sub-underwrite such number of Untaken Shares which will not result in any of the sub-underwriters holding 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

Apart from up to 761,040,000 Untaken Shares, representing approximately 5% of the enlarged share capital of the Company upon the completion of the Open Offer and Share Consolidation but before any conversion of the Convertible Bonds, underwritten by a fellow subsidiary of the Underwriter, each of the other sub-underwriters has confirmed that (i) it is an independent third party of the Company or any of the Directors, chief executive, substantial shareholders of the Company or any of their respective associates; and (ii) it is not a connected person (within the meaning of the Listing Rules) of the Company and its connected persons.

Each sub-underwriter has also confirmed that it had not held any Shares as at the date of the relevant Sub-underwriting Agreement.

Termination clause of the Supplemental Underwriting Agreement

The Supplemental Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Supplemental Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens:

- (a) **in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:**
 - (1) **the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;**

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- (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Supplemental Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
 - (3) any material adverse change; or
 - (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the business of the Group taken as a whole and a change in currency conditions for the purpose of the Supplemental Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Supplemental Underwriting Agreement of a material nature which would materially and adversely affect the success of the Open Offer.

The Company may, by way of giving written notice to the Underwriter, to terminate and rescind the Supplemental Underwriting Agreement at any time before the Latest Time for Termination if the Restructuring Agreement is terminated pursuant to the terms thereto.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Reorganised Shares will be on an ex-entitlement basis commencing from Friday, 8 July 2011 based on the expected timetable set out in the section headed “Expected Timetable” in this circular. The Open Offer is conditional upon, *inter alia*, the fulfilment or waiver of the conditions set out under the paragraph headed “Conditions of the Open Offer” in this circular. In particular, it is subject to the Supplemental Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the paragraph headed “Termination clause of the Supplemental Underwriting Agreement” above). The Open Offer may or may not proceed. Any dealing in the Reorganised Shares from the date of this circular up to the

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date on which all the conditions of the Open Offer are fulfilled or waived will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Reorganised Shares are recommended to consult their own professional advisors. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the securities of the Company.

Fund raising activities in the past 12 months

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this circular.

Listing Rules Implications

Pursuant to the requirements of the Listing Rules, since the Open Offer would increase the issued share capital of the issuer by more than 50% within the 12 month period immediately preceding the date of this circular, the Open Offer is conditional on the approval by the Independent Shareholders by way of poll in the New EGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Open Offer. As at the Latest Practicable Date, Mr. Kwok Wing and his associates held 76,242,400 Reorganised Shares representing 34.46% of the issued share capital of the Company. Accordingly, Mr. Kwok Wing and his associates shall abstain from voting in favour of the proposed resolution approving the Open Offer in the New EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian, has been established to make recommendations to the Independent Shareholders in respect of, among other things, the Open Offer.

ICAL has been appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to, among other things, whether the terms of the Open Offer are fair and reasonable and advise the Independent Shareholders on how they should vote in respect of the relevant resolutions.

The Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable, subject to certain conditions precedent of the Open Offer being satisfied.

PROPOSED ISSUE OF INVESTOR CONVERTIBLE BONDS

The Company, the Provisional Liquidators and the Investor entered into the Supplemental Investor Subscription Agreement on 27 May 2011 to supersede the Investor Subscription Agreement and to provide for the adjustment effect to the Conversion Price due to the Share Consolidation. There is no material change to the Investor Subscription Agreement and the terms of the Investor Convertible

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Bonds pursuant to the Second Supplemental Restructuring Side Letter and the Supplemental Investor Subscription Agreement. The principal terms of the Supplemental Investor Subscription Agreement and the Investor Convertible Bonds are materially the same as those disclosed in the Previous Circular and are repeated below.

The Supplemental Investor Subscription Agreement

- Date : 27 May 2011
- Issuer : the Company
- Subscriber : the Investor
- Conditions precedent : Completion of the Supplemental Investor Subscription Agreement is conditional upon, *inter alia*:
- (i) approval by the Shareholders in the New EGM of transactions contemplated under the Restructuring Agreement and the Supplemental Investor Subscription Agreement including but not limited to the issue of the Investor Convertible Bonds and the Conversion Shares;
 - (ii) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Investor do not reasonably object) approval for the listing of and permission to deal in the Conversion Shares; and
 - (iii) the conditions precedent of the Restructuring Agreement (other than any conditions precedent relating to the Supplemental Investor Subscription Agreement) having been satisfied or waived in accordance with the terms thereof.
- Termination : The Investor may, by notice to the Company, terminate the Supplemental Investor Subscription Agreement if there is a material adverse change prior to Closing and to rescind the Supplemental Investor Subscription Agreement pursuant to the terms stipulated in the Supplemental Investor Subscription Agreement.

The Company may, by notice to the Investor, terminate the Supplemental Investor Subscription Agreement at any time before the Closing Date if the Restructuring Agreement is terminated pursuant to the terms thereto.

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Completion : Subject to the fulfillment of the conditions precedent of the Supplemental Investor Subscription Agreement, completion shall take place on the Closing Date.

Principal terms of the Investor Convertible Bonds

The Company agreed to issue and the Investor agreed to subscribe for the Investor Convertible Bonds in the aggregate principal amount of HK\$100 million, with zero coupon and 3-year tenure, convertible into Reorganised Shares at the Conversion Price. The principal terms of Investor Convertible Bonds, which are materially the same as those disclosed in the Previous Circular, are summarised below:

Issuer	:	the Company
Subscriber	:	the Investor
Principal amount	:	HK\$100,000,000
Issue price	:	HK\$100,000,000
Coupon rate	:	zero coupon
Maturity date	:	the third anniversary of the issue date of Investor Convertible Bonds
Conversion Price	:	The holders of the Investor Convertible Bonds will have the right to convert the Investor Convertible Bonds into Conversion Shares at the initial Conversion Price of HK\$0.01 per Reorganised Share (subject to adjustment, i.e. the Share Consolidation and other adjustments described below), representing (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the closing price of HK\$0.40 per Old Share as quoted on the Stock Exchange on the Last Trading Date); (ii) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the average closing price of HK\$0.446 per Old Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date); (iii) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per Reorganised Share as adjusted for the effect of the Capital Reorganisation

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(based on the closing price of HK\$0.479 per Old Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Date); (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per Reorganised Share of approximately HK\$5.86 as at 31 March 2010 (based on the Company's audited consolidated net liabilities of approximately HK\$1,297 million at 31 March 2010 and 221,260,680 Reorganised Shares in issue as at the Latest Practicable Date); and (v) a premium of approximately HK\$6.26 over the unaudited consolidated net liabilities per Reorganised Share of approximately HK\$6.25 as at 30 September 2010 (based on the Company's unaudited consolidated net liabilities of approximately HK\$1,383 million as at 30 September 2010 and 221,260,280 Reorganised Shares in issue as at the Latest Practicable Date).

- Adjustment to Conversion Price : The Conversion Price will be subject to adjustments for, among other things, subdivisions, consolidations or reclassification of Conversion Shares, capitalisation of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on the bondholders. Upon completion of the Share Consolidation, the Conversion Price will be adjusted to HK\$0.10 per New Share.
- Conversion period : The holders of the Investor Convertible Bonds will have the right to convert the whole or any part of the outstanding principal amount of the Investor Convertible Bonds into Conversion Shares at any time during the period commencing on the Closing Date and ending on seven days before (and excluding) the maturity date at the Conversion Price (subject to adjustment).
- Redemption : Unless previously converted into Conversion Shares, the outstanding principal amount of the Investor Convertible Bonds will be redeemed at 100% of their outstanding principal amount on the maturity date.
- Early redemption : The Investor Convertible Bonds may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof at the option of the Company on any business day prior to the maturity date by giving not less than seven (7) business days' prior written notice to a holder of the Investor Convertible Bonds.

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- Ranking of Investor Convertible Bonds : The Investor Convertible Bonds shall constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.
- Ranking of Conversion Shares : The Conversion Shares will rank *pari passu* in all respects with the Reorganised Shares or New Shares then in issue on the relevant date of registration of holders of such Conversion Shares on the register of members of the Company.
- Listing : No application will be made for the listing of the Investor Convertible Bonds. An application will be made as soon as practicable for the listing of, and permission to deal in, the Conversion Shares to be issued by the Company upon the conversion of the Investor Convertible Bonds.
- Transferability : None of the Investor Convertible Bonds (nor any part thereof) can be transferred without the prior written consent of the Company, except by a transfer to subsidiaries (as that term defined in the Listing Rules) or the holding company (as that term defined in the Companies Ordinance) of the holder of the Investor Convertible Bonds.
- Denomination : HK\$1,000,000 and integral multiples thereof.
- Voting : Holder(s) of the Investor Convertible Bonds will not be entitled to attend or vote at any general meetings of the Company by reason of merely being the holder of the Investor Convertible Bonds.

Effect on the share capital

Based on the Conversion Price of HK\$0.01 per Reorganised Share and assuming full conversion of the Investor Convertible Bonds, the Investor Convertible Bonds will be convertible into 10,000,000,000 Reorganised Shares (representing an aggregate nominal value of HK\$100 million), representing (i) approximately 4,519.6% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 65.7% of the issued share capital of the Company as enlarged by the issue of the Offer Shares; (iii) approximately 39.6% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only; (iv) approximately 58.1% of the issued share capital of the Company as enlarged by the issue of Offer Shares and the full conversion of the Creditors Convertible Bonds only; and (v) approximately 36.7% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of both Investor Convertible Bonds and Creditors Convertible Bonds.

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In the event that the general offer obligation on the part of Investor and parties acting in concert with it is triggered as a result of the conversion of the Investor Convertible Bonds, the Investor and parties acting in concert with it will make a general offer in accordance with the Takeovers Code unless they have applied for, and have been granted by the SFC a waiver of the general offer obligation. In this respect, the Investor has confirmed to the Company that it will comply with the Takeovers Code.

Reasons for the Supplemental Investor Subscription Agreement and the use of proceeds

As set out in the Previous Circular, it is the intention of the Investor to have the Group focus on the retail apparel operation under the brand name “XZEZZ” in the PRC. When opportunities arise, with a mainline in casual wear, the Investor will also consider the viability for the Group of providing new line of accessories. The Company will receive gross proceeds from the subscription of the Investor Convertible Bonds of no less than HK\$59 million from the Investor, after setting off (i) the Working Capital Loan of HK\$10 million provided by the Investor to the Company under the Exclusivity and Escrow Agreement; (ii) fees and costs of HK\$16 million incurred by the Company in negotiation, documentation and implementation of the restructuring of the Group; and (iii) an amount up to HK\$15 million drawn down from the Revolving Facility. A sum of HK\$50 million out of the subscription money of the Investor Convertible Bonds will be made available to the Scheme Administrators for the benefit of the Scheme Creditors and New Profit for the benefit of the New Profit Stakeholders respectively in the proportion of five to two. The remaining no less than HK\$9 million of the proceeds will be applied towards the working capital requirements of the restructured Group. The Company does not expect any expenses to incur in relation to the issue of the Investor Convertible Bonds.

The Provisional Liquidators consider the terms of the Supplemental Investor Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company, the Shareholders and the Creditors as a whole.

PROPOSED ISSUE OF CREDITORS CONVERTIBLE BONDS

The Company, the Provisional Liquidators, New Profit and Key Winner entered into the Supplemental Creditors Subscription Agreement on 27 May 2011 to supersede the Creditors Subscription Agreement and to provide for the adjustment effect of the Conversion Price due to the Share Consolidation. There is no material change to the Creditors Subscription Agreement and the terms of the Creditors Convertible Bonds pursuant to the Second Supplemental Restructuring Side Letter and the Supplemental Creditors Subscription Agreement. The principal terms of the Supplemental Creditors Subscription Agreement and the Creditors Convertible Bonds are materially the same as those disclosed in the Previous Circular and are repeated below.

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The Supplemental Creditors Subscription Agreement

- Date : 27 May 2011
- Issuer : the Company
- Subscribers : Key Winner and New Profit
- Conditions precedent : Completion of the Supplemental Creditors Subscription Agreement is conditional upon, *inter alia*:
- (i) the approval by the Shareholders in the New EGM of transactions contemplated under the Restructuring Agreement and the Supplemental Creditors Subscription Agreement including but not limited to the issue of the Creditors Convertible Bonds and the Conversion Shares;
 - (ii) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company, Key Winner and New Profit do not reasonably object) approval for the listing of and permission to deal in the Conversion Shares; and
 - (iii) the conditions precedent of the Restructuring Agreement (other than any conditions precedent relating to the Supplemental Creditors Subscription Agreement) having been satisfied or waived in accordance with the terms thereof.
- Termination : The subscribers may, by notice to the Company, terminate the Supplemental Creditors Subscription Agreement if there is a material adverse change prior to Closing and to rescind the Supplemental Creditors Subscription Agreement pursuant to the terms stipulated in the Supplemental Creditors Subscription Agreement.

The Company may, by notice to the subscribers, terminate the Supplemental Creditors Subscription Agreement at any time before the Closing Date if the Restructuring Agreement is terminated pursuant to the terms thereto.

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Completion : Subject to the fulfillment of the conditions precedent of the Supplemental Creditors Subscription Agreement, completion shall take place on the Closing Date.

Principal terms of Creditors Convertible Bonds

Issuer : the Company

Subscribers : (i) Key Winner, a company controlled by the Provisional Liquidators; and
(ii) New Profit, a former indirect 90%-owned subsidiary of the Company

Principal amount : HK\$20,000,000

Issue price : Key Winner and New Profit will receive the Creditors Convertible Bonds at nil consideration. The Creditors Convertible Bonds are issued for the benefit of the Scheme Creditors and the New Profit Stakeholders which will be allocated pro rata as to five sevenths to Key Winner and as to two sevenths to New Profit as part of the Schemes and the debt restructuring for the compromise, discharge and settlement of all Claims against the Company.

Coupon rate : 2% per annum, payable on maturity date.

Maturity date : the first anniversary of the issue date of Creditors Convertible Bonds.

Conversion Price : The holders of the Creditors Convertible Bonds will have the right to convert the Creditors Convertible Bonds into Conversion Shares at the initial Conversion Price of HK\$0.01 per Reorganised Share (subject to adjustment, i.e. the Share Consolidation and further corporate action), representing (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the closing price of HK\$0.40 per Old Share as quoted on the Stock Exchange on the Last Trading Date); (ii) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the average closing price of HK\$0.446 per Old Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date); (iii) a discount of approximately 99.79% to the average

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theoretical closing price of HK\$4.79 per Reorganised Share as adjusted for the effect of the Capital Reorganisation (based on the closing price of HK\$0.479 per Old Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Date); (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per Reorganised Share of approximately HK\$5.86 as at 31 March 2010 (based on the Company's audited consolidated net liabilities of approximately HK\$1,297 million at 31 March 2010 and 221,260,680 Reorganised Shares in issue as at the Latest Practicable Date); and (v) a premium of approximately HK\$6.26 over the unaudited consolidated net liabilities per Reorganised Share of approximately HK\$6.25 as at 30 September 2010 (based on the Company's unaudited consolidated net liabilities of approximately HK\$1,383 million as at 30 September 2010 and 221,260,280 Reorganised Shares in issue as at the Latest Practicable Date).

- Adjustment to Conversion Price : The Conversion Price will be subject to adjustments for, among other things, subdivisions, consolidations or reclassification of Conversion Shares, capitalisation of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on the bondholders. Upon completion of the Share Consolidation, the Conversion Price will be adjusted to HK\$0.10 per New Share.
- Conversion period : The holders of the Creditors Convertible Bonds will have the right to convert the whole or any part of the outstanding principal amount of the Creditors Convertible Bonds into Conversion Shares at any time during the period commencing on the Closing Date and ending on seven days before (and excluding) the maturity date at the Conversion Price (subject to adjustment).
- Redemption : Unless previously converted into Conversion Shares, the outstanding principal amount of the Creditors Convertible Bonds will be redeemed at 100% of their outstanding principal amount on the maturity date.
- Early redemption : The Creditors Convertible Bonds may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof at the option of the Company on any business day prior to the maturity date by giving not less than seven (7) business days' prior written notice to a holder of the Creditors Convertible Bonds.
- Ranking of Investor Convertible Bonds : The Creditors Convertible Bonds shall constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

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- Ranking of Conversion Shares : The Conversion Shares will rank *pari passu* in all respects with the Reorganised Shares or New Shares then in issue on the relevant date of registration of holders of such Conversion Shares on the register of members of the Company.
- Listing : No application will be made for the listing of the Creditors Convertible Bonds. An application will be made as soon as practicable for the listing of, and permission to deal in, the Conversion Shares to be issued by the Company upon the conversion of the Creditors Convertible Bonds.
- Transferability : None of the Creditors Convertible Bonds (nor any part thereof) can be transferred without the prior written consent of the Company, except by a transfer to subsidiaries (as that term defined in the Listing Rules) or the holding company (as that term defined in the Companies Ordinance of the holder of the Creditors Convertible Bonds).
- Denomination : HK\$1 million and integral multiples thereof.
- Voting : Holder(s) of the Creditors Convertible Bonds will not be entitled to attend or vote at any general meetings of the Company by reason of merely being the holder of the Creditors Convertible Bonds.

Effect on the share capital

Based on the Conversion Price of HK\$0.01 per Reorganised Share and assuming full conversion of the Creditors Convertible Bonds, the Creditors Convertible Bonds will be convertible into 2,000,000,000 Reorganised Shares (representing an aggregate nominal value of HK\$20 million), representing (i) approximately 903.9% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 13.1% of the issued share capital of the Company as enlarged by the issue of the Offer Shares; (iii) approximately 7.9% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only; (iv) approximately 11.6% of the issued share capital of the Company as enlarged by the issue of Offer Shares and the full conversion of the Creditors Convertible Bonds only; and (v) approximately 7.3% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and full conversion of both of Investor Convertible Bonds and Creditors Convertible Bonds.

After Closing and immediately after completion of the Share Consolidation, the Conversion Price of the Creditors Convertible Bonds will be adjusted to HK\$0.10 per New Share, pursuant to the terms of the Supplemental Creditors Subscription Agreement.

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Reasons for the Supplemental Creditors Subscription Agreement

Pursuant to the Restructuring Agreement, the Company has started the implementation of the Schemes and debt restructuring. As part of the Schemes and the debt restructuring, the Company will issue and the Scheme Creditors and New Profit (for the benefit of the New Profit Stakeholders) will receive the Creditors Convertible Bonds in the proportion of five to two, respectively. The Company considers that the Schemes and the debt restructuring is the only viable way to compromise, discharge and settle all Claims against the Company and is of the view that the terms of the Supplemental Creditors Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company, the Shareholders and the creditors of the Company as a whole.

The Company will not receive any money from the subscription of the Creditors Convertible Bonds. The Company does not expect any expenses to incur in relation to the issue of the Creditors Convertible Bonds.

Debt restructuring

According to the latest published audited accounts of the Group for the year ended 31 March 2010, the total outstanding liabilities of the Group and the Company were approximately HK\$1,349.07 million and HK\$1,140.90 million respectively.

Upon completion of the Schemes and the New Profit Agreement, all the liabilities of the Company will be discharged and the Group will have no outstanding liabilities other than (i) the Convertible Bonds; and (ii) those incurred or to be incurred in its ordinary course of business.

Ever Century Charge

Reference is made to the Company's announcements dated 24 October 2008 and 6 April 2009 that during the course of the investigations by the Provisional Liquidators, they discovered that between June 2008 and July 2008, the Company entered into a number of loans with money lenders purportedly in order to meet the Group's short term financing needs, including the loans with Forefront and Hansom. As security for the loans advanced by Forefront and Hansom, the Company granted a charge over all the shares in its wholly-owned subsidiary, Ever Century, on 12 June 2008 (the "**Share Charge**"). Ever Century holds directly and indirectly the entire issued share capital of all the remaining subsidiary companies in the Group. As the Company failed to repay the outstanding loan due to Forefront, Forefront exercised its right under the Share Charge on 15 August 2008 and the Ever Century Shares were transferred to Merrier, a nominee of Forefront.

On 3 April 2009, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the Settlement Deed pursuant to which:

- (a) Merrier agreed to, among other things, transfer the Ever Century Shares back to the Company with nil consideration in order to facilitate the restructuring of the Company;

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- (b) each of Forefront and Hansom acknowledges, confirms and agrees that while Forefront effected a transfer of the legal ownership of the Ever Century Shares to Merrier on 15 August 2008, there was no intention to change the beneficial ownership of the Ever Century Shares or the Company's control over Ever Century and each of Forefront and Hansom unconditionally and irrevocably agreed and approved the transaction as completed under the Settlement Deed;
- (c) if the restructuring of the Company is not completed within 12 months from the date of the Settlement Deed (or such other date as agreed in writing between Forefront, Hansom, the Company and the Provisional Liquidators) and Forefront or Hansom wishes to enforce the Share Charge, Forefront and Hansom respectively undertake to give two weeks notice to the Company and the Provisional Liquidators before taking any action to transfer the Ever Century Shares pursuant to their respective charge; and
- (d) the Company and the Provisional Liquidators agree and acknowledge that the transfer of the Ever Century Shares by Merrier pursuant to the terms of the Settlement Deed, are without prejudice to the respective rights of Forefront or Hansom.

As announced by the Company on 14 April 2010 and 19 May 2011, the Settlement Deed was supplemented by two letters which provided that (i) Hansom agreed to extend the period of not exercising its share charge over the Ever Century Shares from 24 months to 36 months from the date of the Settlement Deed (i.e. 3 April 2009); (ii) Forefront agreed and acknowledged that all outstanding amounts due from the Group to Forefront under the loan agreement dated 12 June 2008 had been unconditionally and irrevocably settled in full; and (iii) Forefront further agreed and undertook to take all necessary steps to release the Ever Century Shares from all security interests created pursuant to the share charge exercisable by Forefront. Save for the amendments made by the Second Supplemental Deed, all the terms of the Settlement Deed remain in full force and effect.

As at the Latest Practicable Date and to the best information of the Provisional Liquidators, save as disclosed above, Forefront, Merrier and Hansom are independent of the Company, and the Investor, its ultimate beneficial owner and parties acting in concert with any of them.

Furthermore, only Hansom will remain as a Creditor (other than the Preferential Creditor), whose claims will be settled under the Schemes.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The Schemes

In the Scheme Meetings, which were held at 10:00 a.m., on 30 August 2010, the Creditors approved the Schemes. The Cayman Islands Court also sanctioned the Cayman Scheme on 7 September 2010 and the Company will make an application to the Hong Kong Court for the sanction of the Hong Kong Scheme as soon as practicable. Pursuant to the Schemes, (a) all Claims against the Company will be compromised, discharged and/or settled; (b) the Scheme Creditors will receive a pro rata distribution of five sevenths of the Creditors Convertible Bonds; and (c) the Company will transfer or procure the transfer to the Scheme Administrators for distribution to the Scheme Creditors:

- (i) five sevenths of the Cash Consideration;
- (ii) any cash held by or for the account of the Company excluding any net proceeds from the Open Offer and the issue of the Investor Convertible Bonds at Closing; and
- (iii) all rights, title and interest in the companies transferred to Key Winner by Ever Century on or about 29 May 2009, and any other assets in the Group other than the *XXEZZ* Assets.

The principal terms of the Schemes include:

- (i) the Company shall transfer all assets of the Company other than the *XXEZZ* Assets to Key Winner (for the benefit of the Scheme Creditors) with effect from the Closing Date or as the Provisional Liquidators shall direct;
- (ii) Key Winner shall subscribe for and the Company shall on the Closing Date issue the Creditors Convertible Bonds to Key Winner (for the benefit of the Scheme Creditors) on and subject to the terms of the Restructuring Agreement, the Supplemental Creditors Subscription Agreement and the Memorandum and Articles of Association; and
- (iii) without limiting the generality of (i) above, the Company shall assign to Key Winner for the benefit of the Scheme Creditors all Claims (including receivables) which the Company may have against any person, including any claims against its present or former Directors, officers, auditors and advisors.

Any distribution to the Scheme Creditors shall be applied after the payment of the restructuring costs and payment to the Preferential Creditors in full. According to the unaudited accounts of the Company as at 30 September 2010 and subject to adjudication, Claims from the Preferential Creditors amounted to approximately HK\$0.5 million, representing estimated petitioner's cost in relation to the commencement of the winding-up of the Company.

Interested Shareholders

As at the Latest Practicable Date, there were two Creditors, namely QVT and Quintessence (the Interested Shareholders), who are also Shareholders.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Details of the Claims and shareholding interest of the Interested Shareholders are as follows:

	Claim (as at 30 September 2010)		Shareholding in the Company (as at the Latest Practicable Date)	
	<i>HK\$ million</i>	%	<i>No. of Reorganised Shares</i>	%
QVT	83	6.76	98,185	0.044
Quintessence	<u>9</u>	<u>0.73</u>	<u>10,541</u>	<u>0.005</u>
Interested Shareholders	<u><u>92</u></u>	<u><u>7.49</u></u>	<u><u>108,726</u></u>	<u><u>0.049</u></u>
Total Claims/Total number of Reorganised Shares	<u><u>1,227</u></u>	<u><u>100</u></u>	<u><u>221,260,680</u></u>	<u><u>100</u></u>

As at the Latest Practicable Date, QVT and Quintessence had the same general partner and the same investment manager, but they did not have any other relationships.

Save as disclosed above, the Interested Shareholders are independent third parties of the Company and the Investor, its ultimate beneficial owner and parties acting in concert with any of them.

Pursuant to the Restructuring Agreement and the Supplemental Investor Subscription Agreement, the Company proposes to raise HK\$100 million (before expenses) upon the Investor's subscription of the Investor Convertible Bonds, out of the proceeds, HK\$50 million of which will be the Cash Consideration to repay the Scheme Creditors and the New Profit Stakeholders in a proportion of 5:2. In addition, the Company will issue Creditors Convertible Bonds to the Scheme Creditors and New Profit Stakeholders in a proportion of 5:2, with a total principal amount of HK\$20 million at nil consideration pursuant to the Supplemental Creditors Subscription Agreement. Therefore, five sevenths of the Cash Consideration and Creditors Convertible Bonds (equivalent to a total principal amount of approximately HK\$50 million, the "**Repayment**") will be used to settle with the Creditors all the Claims against the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

These Interested Shareholders, in their capacity of the Creditors and if admitted as Scheme Creditors, would receive their respective portion of the Repayment (in respect of Cash Consideration and Creditors Convertible Bonds) as follows:

	Claim (as at 30 September 2010)		Cash Consideration		Creditors Convertible Bonds		Repayment (Note)
	HK\$		HK\$		HK\$		
	million	%	million	%	million	%	
QVT	83	6.76	2.42	4.83	0.97	4.83	6.76
Quintessence	9	0.73	0.26	0.52	0.10	0.52	0.73
Interested Shareholders	<u>92</u>	<u>7.49</u>	<u>2.68</u>	<u>5.35</u>	<u>1.07</u>	<u>5.35</u>	<u>7.49</u>
Total	1,227	100	50	100	20	100	100

Note: These figures are indicative only, subject to adjudication and derived without taking into consideration the Claims from the Preferential Creditors amounting to approximately HK\$0.5 million as at 30 September 2010 and any administrative costs to be or having been incurred in relation to the Schemes. Pursuant to the Schemes, the repayment to the Preferential Creditors and payment of the administrative costs being incurred in relation to the Schemes rank before the repayment of the other Creditors (including the Interested Shareholders).

Terms of the distribution of the Repayment among all the Scheme Creditors (other than Preferential Creditors) are the same pursuant to the terms of the Schemes. As part of the Repayment (the cash portion) is contributed by the proceeds from the subscription of the Investor Convertible Bonds by the Investor and the other part of the Repayment is in the form of Creditors Convertible Bonds, the Interested Shareholders are interested in Restructuring Agreement, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement.

The Interested Shareholders will abstain from voting on the resolutions in respect of the transactions contemplated in the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement).

The Provisional Liquidators consider that the terms of the settlement of the Claims to the Interested Shareholders have been determined on an arm's length basis.

New Profit Agreement

On 30 July 2010, the Company, the Provisional Liquidators, Anyway, Best Favour, Key Winner, New Profit, the joint and several liquidator of New Profit, Swimwear and CITIC Bank entered into the New Profit Agreement.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The principal terms of the New Profit Agreement are:

- (i) on the Closing Date, the Company shall transfer or procure the transfer of two sevenths of the Cash Consideration (i.e. HK\$14,285,714.00) and issue two sevenths of the Creditors Convertible Bonds to New Profit or as it directs following consultation with the New Profit Stakeholders;
- (ii) after receipt of the distributions described in (i), New Profit shall distribute to the New Profit Stakeholders in the agreed order of priority;
- (iii) Swimwear acknowledges and agrees that upon receiving its respective entitlement, its claims against New Profit is settled and it shall be deemed to have no further claim against New Profit and to have waived any and all rights of action of any nature against New Profit arising prior to the date of payment of its respective entitlement;
- (iv) CITIC Bank acknowledges and agrees that upon receiving its respective entitlement, it shall be deemed to have no further claims against Anyway and to have waived any and all rights of action of any nature against Anyway arising prior to the date of payment of its respective entitlement. CITIC Bank will take all steps necessary to release, on the Closing Date, the security over the shares in Best Favour; and
- (v) Noble Group Investment Limited, the 10% shareholder of Best Favour, will receive 10% of any residual amount due to Best Favour upon the distribution by New Profit.

PROPOSED SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, the Company has decided to implement the Share Consolidation on the basis that every ten issued and unissued Reorganised Shares of HK\$0.01 each immediately after completion of the Open Offer will be consolidated into one New Share of HK\$0.10 each before the resumption of trading in the New Shares. Fractional New Shares will be disregarded and not issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional New Shares will only arise in respect of the entire shareholding of a holder of the Reorganised Shares regardless of the number of share certificates held by such holder.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 Reorganised Shares of HK\$0.01 each, of which 221,260,680 Reorganised Shares have been issued as fully paid or credited as fully paid. Had the Share Consolidation become effective as at the Latest Practicable Date, the authorised share capital of the Company shall become HK\$500,000,000 divided into 5,000,000,000 New Shares of HK\$0.10 each, of which 22,126,068 New Shares should be in issue.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation in the New EGM; and
- (ii) the Stock Exchange granting the listing of, and the permission to deal in, the New Shares in issue.

No Shareholder is required to abstain from voting on the Share Consolidation in the New EGM.

Change in Board Lot

The board lot size of the New Shares will be changed from 800 Reorganised Shares to 24,000 New Shares with effect immediately after the Share Consolidation becomes effective, i.e. after 5:00 p.m. on Thursday, 4 August 2011.

Reasons for the Share Consolidation

The Share Consolidation is made pursuant to Rule 13.64 of the Listing Rules to establish, if possible, a transacted price for the New Shares immediately prior to the resumption of trading in the New Shares away from the extremity of HK\$0.01. **Shareholders please note that the resolution in relation to the Share Consolidation being passed in the New EGM is a condition precedent to the Open Offer and the Restructuring Agreement.**

Arrangement on odd lot trading

In order to alleviate the difficulties arising from the existence of odd lots of New Shares, the Company will appoint an agent to provide matching services for the sale and purchase of odd lots of New Shares arising from the Share Consolidation and Change in Board Lot. Further announcement will be made when such arrangement is in place.

If you are in any doubt as to the above arrangements, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Listing and dealings

An 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 New Shares arising from the Share Consolidation.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Posting of new share certificates of the New Shares

Subject to completion of the Share Consolidation and the Open Offer, the Company will post the new share certificates in yellow in colour for the New Shares, which include the New Shares consolidated from the Reorganised Shares and the Offer Shares, to the Shareholders at its expenses on Friday, 5 August 2011.

If the Share Consolidation is completed but the Open Offer is terminated, the Company will post the new share certificates in yellow in colour for the New Shares, which only include the New Shares consolidated from the Reorganised Shares to the Shareholders at its expenses within ten days after the date of termination, which is expected to be no later than Friday, 12 August 2011.

However, if the Share Consolidation is not approved by the Shareholders in the New EGM, which is one of the conditions precedent to the Open Offer, no matter whether the Open Offer is approved or not in the New EGM, the Open Offer will terminate and the Company will post the new share certificates in blue in colour for the Reorganised Shares to the Shareholders at its expenses within ten days after the date of the New EGM, which is expected to be Friday, 22 July 2011.

The old share certificates of the Old Shares, which are blue in colour, will be automatically void upon the despatch of the new share certificates.

EFFECTS ON SHAREHOLDING STRUCTURE

The following tables set out (i) the shareholding structure of the Company as at the Latest Practicable Date; (ii) the shareholding structure after completion of the Open Offer; (iii) the shareholding structure after completion of the Open Offer and the full conversion of each of and both the Investor Convertible Bonds and the Creditors Convertible Bonds; and (iv) the shareholding structure after completion of the Open Offer, the full conversion of each of and both the Investor Convertible Bonds and the Creditors Convertible Bonds and the completion of the Share Consolidation.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Scenario #1: Assume all Shareholders take up their respective entitlements under the Open Offer

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding after the Open Offer (assuming all Shareholders take up their respective entitlements) (Note 1)		Shareholding after the Open Offer (assuming all Shareholders take up their respective entitlements) and completion of the Share Consolidation (Note 1)		Shareholding after the Open Offer (assuming all Shareholders take up their respective entitlements), the completion of Share Consolidation and the full conversion of Investor Convertible Bonds only (Notes 2, 3)		Shareholding after the Open Offer (assuming all Shareholders take up their respective entitlements), the completion of Share Consolidation and the full conversion of Creditors Convertible Bonds only (Notes 2, 3)		Shareholding after the Open Offer (assuming all Shareholders take up their respective entitlements), the completion of Share Consolidation and the full conversion of Investor Convertible Bonds and Creditors Convertible Bonds (Notes 2, 3)	
	No. of Reorganised Shares		No. of Reorganised Shares		No. of New Shares		No. of New Shares		No. of New Shares		No. of New Shares	
	%	%	%	%	%	%	%	%	%	%	%	%
The Investor, its ultimate beneficial owner, and parties acting in concert with any of them	-	0.0	-	0.0	-	0.0	1,000,000,000	39.6	-	0.0	1,000,000,000	36.7
Underwriter and sub-underwriters	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Scheme Creditors and New Profit Stakeholders	-	0.0	-	0.0	-	0.0	-	0.0	200,000,000	11.6	200,000,000	7.3
Mr. Kwok Wing and associates	76,242,400	34.5	5,245,477,120	34.5	524,547,712	34.5	524,547,712	20.8	524,547,712	30.5	524,547,712	19.3
Sansar Capital Management, LLC	43,463,600	19.6	2,990,295,680	19.6	299,029,568	19.6	299,029,568	11.9	299,029,568	17.4	299,029,568	11.0
Citigroup Inc.	31,536,840	14.3	2,169,734,592	14.3	216,973,459	14.3	216,973,459	8.6	216,973,459	12.6	216,973,459	8.0
Public Shareholders	70,017,840	31.6	4,817,227,392	31.6	481,722,739	31.6	481,722,739	19.1	481,722,739	28.0	481,722,739	17.7
Total	221,260,680	100.0	15,222,734,784	100.0	1,522,273,478	100.0	2,522,273,478	100.0	1,722,273,478	100.0	2,722,273,478	100.0

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Scenario #2: Assume no Shareholder takes up his respective entitlement under the Open Offer

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding after the Open Offer (assuming none of the Shareholders takes up his respective entitlement)		Shareholding after the Open Offer (assuming none of the Shareholders takes up his respective entitlement) and completion of the Share Consolidation		Shareholding after the Open Offer (assuming none of the Shareholders takes up his respective entitlement), the completion of Share Consolidation and the full conversion of Investor Convertible Bonds only		Shareholding after the Open Offer (assuming none of the Shareholders takes up his respective entitlement), the completion of Share Consolidation and the full conversion of Creditors Convertible Bonds only		Shareholding after the Open Offer (assuming none of the Shareholders takes up his respective entitlement), the completion of Share Consolidation and the full conversion of Investor Convertible Bonds and Creditors Convertible Bonds	
	No. of Reorganised Shares		No. of Reorganised Shares		No. of New Shares		No. of New Shares		No. of New Shares		No. of New Shares	
	%		%		%		%		%		%	
The Investor, its ultimate beneficial owner, and parties acting in concert with any of them	-	0.0	-	0.0	-	0.0	1,000,000,000	39.6	-	0.0	1,000,000,000	36.7
Underwriter and sub-underwriters	-	0.0	15,001,474,104	98.5	1,500,147,410	98.5	1,500,147,410	59.5	1,500,147,410	87.1	1,500,147,410	55.1
Scheme Creditors and New Profit Stakeholders	-	0.0	-	0.0	-	0.0	-	0.0	200,000,000	11.6	200,000,000	7.3
Mr. Kwok Wing and associates	76,242,400	34.5	76,242,400	0.5	7,624,240	0.5	7,624,240	0.3	7,624,240	0.4	7,624,240	0.3
Sansar Capital Management, LLC	43,463,600	19.6	43,463,600	0.3	4,346,360	0.3	4,346,360	0.2	4,346,360	0.3	4,346,360	0.2
Citigroup Inc.	31,536,840	14.3	31,536,840	0.2	3,153,684	0.2	3,153,684	0.1	3,153,684	0.2	3,153,684	0.1
Public Shareholders	70,017,840	31.6	70,017,840	0.5	7,001,784	0.5	7,001,784	0.3	7,001,784	0.4	7,001,784	0.3
Total	221,260,680	100.0	15,222,734,784	100.0	1,522,273,478	100.0	2,522,273,478	100.0	1,722,273,478	100.0	2,722,273,478	100.0

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Notes:

1. **Fractional New Shares will be disregarded and not issued to the Shareholders after completion of the Share Consolidation. Shareholders shall bear in mind that the every ten Reorganised Shares (aggregating the Reorganised Shares then held and the Offer Shares subscribed for) on the effective date of the Share Consolidation will then be consolidated into one New Share under the Share Consolidation. Following completion of the Open Offer, the single-digit of the number of Reorganised Shares held by a Shareholder will therefore be disregarded when the Share Consolidation becomes effective. Shareholders shall take this into account when they submit their subscription forms for the Open Offer such that total number of Reorganised Shares held after completion of the Open Offer but before Share Consolidation will be a multiple of ten. For example, a Shareholder holding 80 Reorganised Shares will be allowed to subscribe for 5,420 Offer Shares instead of the entitlement of 5,424 Offer Shares such that he or she will hold 5,500 Reorganised Shares after completion of the Open Offer and 550 New Shares after completion of the Open Offer and the Share Consolidation.**
2. As at the Latest Practicable Date, the Investor has no plan to sell its interests in the Company (whether Shares or Investor Convertible Bonds) and no intention to exercise its rights to convert the Investor Convertible Bonds.

In the event that the general offer obligation on the part of the Investor and parties acting in concert with it is triggered as a result of the conversion of the Investor Convertible Bonds, the Investor and parties acting in concert with it will make a general offer in accordance with the Takeovers Code unless they have applied for, and have been granted by the SFC a waiver of the general offer obligation. In this respect, the Investor has confirmed to the Company that it will comply with the Takeovers Code.

The Investor is not allowed to convert any of the Investor Convertible Bonds in the event that such conversion will lead to the Company's non-compliance with the public float requirement under the Listing Rules.

3. After Closing, the Conversion Price of the Investor Convertible Bonds and Creditors Convertible Bonds will be adjusted from HK\$0.01 per Reorganised Share to HK\$0.10 per New Share as a result of the Share Consolidation and the number of shares convertible by the Convertible Bonds are adjusted accordingly.

As the board lot size of the Old Shares before Suspension was 8,000 Old Shares and the Capital Reorganisation has been effective after 5:00 p.m. on Monday, 20 December 2010, a Shareholder, who held one board lot of Old Shares before suspension, holds 800 Reorganised Shares as at the Latest Practicable Date and will be entitled to subscribe for 54,240 Offer Shares. Therefore, if the Shareholder successfully subscribes for the Open Offer, he/she/it will hold 55,040 Reorganised Shares, which is equivalent to 5,504 New Shares upon the Share Consolidation and resumption of trading. However, if the Shareholder does not or fails to subscribe for the Open Offer, he/she/it will hold 80 New Shares upon the Share Consolidation. The Company will provide matching services for odd lots of New Shares as described in the section headed "Arrangement on odd lot trading" above.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

INFORMATION ON THE GROUP

Overview of the Group's operation since Suspension

Due to the insolvency and winding up of all the subsidiaries engaged in manufacturing, ever since the Suspension, the Group has only been able to rescue and maintain its apparel retail business under a brand name "XXEZZ" in the PRC.

Reference is made to the announcement of the Company dated 29 May 2007, the Company acquired the XXEZZ business in June 2007 by acquiring 90% interest in Best Favour at a consideration of HK\$330 million in cash, which was principally engaged in fashion design and management of its XXEZZ brand of smart casual wear. Investigations conducted by the Provisional Liquidators show that the brand "XXEZZ" does not belong to the Group. However, Best Favour has always been managing the brand of XXEZZ pursuant to a written authority. With the Provisional Liquidators' effort to rectify such situation, XXEZZ trademark is now owned by a company, which does not belong to the Group but is now controlled by the Provisional Liquidators. The Provisional Liquidators will take all necessary steps to transfer the XXEZZ trademark to the Group to facilitate the Group's business continuity before Closing.

Reference is made to the Company's circular dated 18 June 2007 issued to the Shareholders which states that "according to the unaudited consolidated accounts of Best Favour and its subsidiaries prepared in accordance with the accounting principles generally accepted in Hong Kong, Best Favour and its subsidiaries recorded an unaudited profit before taxation of approximately HK\$24.6 million and unaudited profit after taxation of approximately HK\$21.7 million for the year ended 30 June 2005; and unaudited profit before taxation of approximately HK\$37.3 million and unaudited profit after taxation of approximately HK\$31.7 million for the year ended 30 June 2006."

XXEZZ has specialised in women's and men's casual wear in the PRC since its establishment in 2002. Having been marketed as an "urban drifter" with its core of military inspired collection to offer an upbeat style, XXEZZ positions itself in the mid-range and mainstream market targeting young adults aged from 18 to 35. The product line of XXEZZ includes T-shirt, pullover, knit wear, sweater, skirt, jacket, down jacket, cargo pants, jeans, skirt, etc.

Brand history and development

XXEZZ was launched in 2002, marketed itself as an "urban drifter". The brand awareness and the publicity were further enhanced in 2004 by its brand spokesperson, Ms. Stefanie Sng (孫燕姿), who is one of the prima donnas in Asia generally viewed as talented, positive, independent and healthy. XXEZZ expanded rapidly; within 3 years, coverage of XXEZZ already included Huabei (華北), Huadong (華東), Huazhong (華中), Huanan (華南), northeastern (東北) and northwestern (西北) China. XXEZZ held its 2006 Sprint/Summer Fashion Show in the 14th China International Clothing & Accessories Fair (CHIC 2006, 2006紡織成衣貿易展), a major national exhibition sponsored by China National Textile and Apparel Council (CNTAC) which further proved its solid role in the apparel industry. In 2007, the Group acquired 90% of the total issued capital of Best Favour, the holding company of the entire equity interest in the operation entity of XXEZZ, for a consideration of HK\$330 million, which was determined with reference to, among others, the valuation of 100% equity interest of Best Favour at HK\$384 million as at 30 April 2007. The Group considered that the acquisition would be a good opportunity for it to expand its consumer retail sector in the PRC riding on a well known apparel brand and an established distribution network and expected the investment would be earning accretive.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

In 2007, *XXEZZ* was also one of the brands that joined and released its 2007 fall fashion in the 7th China (Shenzhen) International Brand Clothing & Accessories Fair (the 7th SZIC, 第七屆中國(深圳)國際品牌服裝服飾交易會), an international fashion brands clothing trade show organised annually by Shenzhen Garment Industry Association at the Shenzhen Convention and Exhibition Centre which attracted more than 100,000 visitors and few hundred exhibitors a year.

The products under the *XXEZZ* brand are distributed via two channels – the self-operating stores and authorised retailers – where the former is owned by the Group while the latter is authorised by *XXEZZ* to sell products using its brand name. The *XXEZZ* retail shops are strategically located in shopping malls and department stores in prime locations to maintain and promote the image of its brand. Before the Suspension, *XXEZZ* had 112 self-operating stores and 80 authorised retailers, according to information available to the Provisional Liquidators. As at the Latest Practicable Date, *XXEZZ* established 64 self-operating stores and six authorised retailers which had a total store floor area of approximately 4,294 square metres, with coverage in 11 cities located in nine provinces in the PRC.

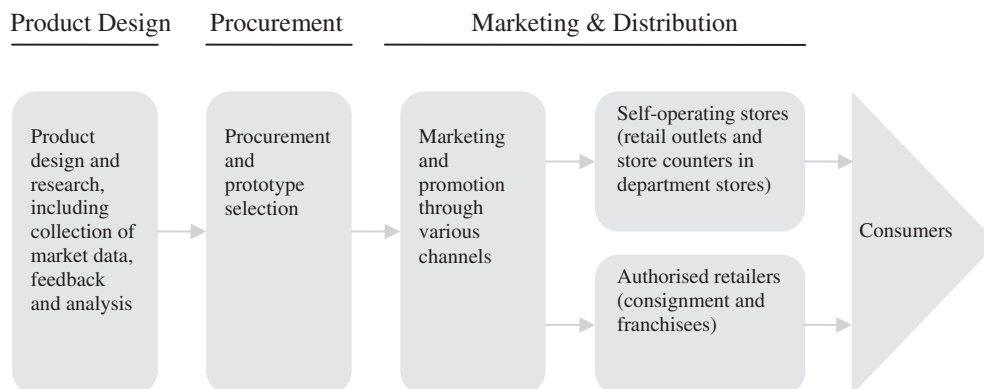
The location and number of the Group's self-operating stores as well as the authorised retailers in the PRC are illustrated as follows:



LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The following diagram illustrates the Group's business model:

Business Model



The Group has re-established its design department since March 2009 with two former experienced team members, including the chief designer who worked for New Profit Luo Ding between 2006 and 2008, rejoining the Group.

Since its re-establishment in March 2009, the designer team has steadily formulated its consultation services to *XXEZZ* which now include (i) product development; (ii) marketing, advertising and promotion and public relation; and (iii) visual merchandising. Product development service generally includes seasonal analysis of fashion, sourcing new products, buyers coaching and holding of buyers conferences. Marketing, advertising and promotion and public relation service is mainly responsible for advertising campaigns, supervise special events, negotiate advertising contracts and manage booking and budget. In respect of visual merchandising, the designer team manages all merchandising issues, conceptualise, develop and implement visual directions, provide creative leadership as well as develop and maintain visual presentation standards. In addition to the above, the designer team also plans for upcoming marketing strategies and future development with an aim to continuous improvement of product quality and development, maximising customer satisfaction and loyalty and promoting staff dedication and services.

For each of the three years ended 31 March 2008, 2009 and 2010, the total turnover of *XXEZZ* amounted to approximately HK\$259.18 million, HK\$107.68 million and HK\$55.65 million respectively.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The following table sets out a breakdown of the average selling price and average cost of our products by product segments, namely tops, pants and accessories for the years ended 31 March 2010, 2009 and 2008:

	For the 12-month period ended 31 March					
	2010		2009		2008	
	Average Selling Price	Average Cost	Average Selling Price	Average Cost	Average Selling Price	Average Cost
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Tops	128	36	115	27	149	38
Pants	182	52	185	52	173	44
Accessories	33	5	86	18	74	17

Principal strengths of XZEZZ

With the financial difficulties of the Company and limited working capital provided by the Investor, the Group can only focus on the XZEZZ retail business in the PRC and has used its best endeavors to maintain its key management team and rescue its established network. Currently, the principal strengths of XZEZZ are listed below.

1. Established sales network in the PRC with more than 60 shops and outlets

As at the Latest Practicable Date, the Company's XZEZZ products are primarily sold through its 64 self-operating stores and six authorised retailers, amongst which 46 self-operating stores and six authorised retailers are established after the Suspension. Those stores are located in nine provinces in the PRC covering over 11 cities such as Beijing, Shenzhen, Tianjin, Xian and Haerbin in the PRC. The Group maintains business relationships with some of the large department stores in the PRC, such as Beijing Guotai Department Store (北京國泰百貨), Tianjin Binjiang Department Store (天津濱江商廈), Shenzhen Carrefour (深圳家樂福), Xian China Resources Vanguard (西安華潤萬家), Dalian Wal-Mart (沃爾馬大連店) Haerbin Wanda Plaza (哈爾濱萬達商業廣場).

2. Experienced management team

Since 2005, XZEZZ has been under the management of Mr. Shao Guang Yuan, manager of authorised dealer department, Ms. Liu Hong Li, manager of sales department, and Ms. Li Chao, manager of the stock department, each of them has at least 9 years of experience in the garment industry. Mr. Wu Yong Jun, who heads the merchandising team, has over ten years of experience in the apparel industry. XZEZZ has also re-established its design team since March 2009 with experienced new designers recruited. The Chief Designer, Mr. Cheung Yuen Ping, Terrice has more than 15 years of experience in product development, fashion design, visual merchandising and graphic design in the fashion retail business. The Marketing Specialist, Ms. Chong Ka Ying, Karen, has more than 12 years of experience in marketing, communications and advertising, especially in the field of fashion retail.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The following is the brief biographical details of the senior managers:

Mr. Shao Guang Yuan, Business Development Manager

Mr. Shao Guang Yuan, aged 35, joined New Profit Luo Ding in 2004. He is the business development manager and is mainly responsible for franchise investment. He has a total of ten years of experience in the apparel industry where he has spent two years in L'ALPINA, which was a renowned Italian men's wear company. He graduated from Shandong Agricultural University with a Bachelor's degree in forestry.

Ms. Liu Hong Li, Sales Manager

Ms. Liu Hong Li, aged 37, joined New Profit Luo Ding in 2005 and her current position are group sales manager and Beijing district sales manager. She has over 13 years of extensive marketing and branding experience in the apparel industry and has worked with different brands including Giordano and Baleno.

Ms. Li Chao, Manager of Stock Department

Ms. Li Chao, aged 28, joined New Profit Luo Ding in 2005. She is the manager of stock department and is responsible for stock distribution and stock management nationwide. Li Chao started her career in apparel industry with Baleno and has accumulated over nine years experience in the industry.

Mr. Wu Yong Jun, Manager of Merchandising Department

Mr. Wu Yong Jun, aged 40, joined the Group in March 2010 who is now the head of the merchandising team based in Shenzhen. He has over ten years experience in quality control and procurement in apparel industry. He has previously worked with different brands mainly in Shenzhen.

Mr. Cheung Yuen Ping, Terrice, Chief Designer

Mr. Cheung Yuen Ping, Terrice, aged 46, has more than 17 years of experience in product development, fashion design, visual merchandising and graphic design in the fashion retail business. Since 1992 to present, Terrice has served for many famous apparel companies such as Bossini, Unisex, Giordano, Exes and Mudd. Terrice worked for New Profit Luo Ding between 2006 and 2008 and rejoined the Group in March 2009. He also holds a Design Marketing degree from Parsons the New School for Design of the New School University in New York, the United States.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Ms. Chong Ka Ying, Karen, Marketing Specialist

Ms. Chong Ka Ying, Karen, aged 32, has more than 14 years of experience in marketing, communications and advertising, especially in the field of fashion retail. She has supervisory experience and communications skills in concept, budgeting, scheduling and final quality implementation. Before joining the Karen worked at Giordano, and Mudd for more than ten years. She was the marketing manager for XEZZ from October 2006 to September 2008 and rejoined the Group in March 2009. She holds a Master of Science degree in marketing from Napier University in the United Kingdom.

3. Focus on retail business

The Group does not own or operate any manufacturing facilities but engages a number of suppliers in the PRC for the production and delivery of its products. It is the Group's view that by minimising overheads for manufacture, it can concentrate its resources and effort on sales points management, product design, quality control and assurance, marketing and promotion and sales. The Group also believes that it can enjoy the flexibility in securing supply of its products without being limited by the production capacity of one single manufacturer. As such, the Group is able to expand its sales network effectively and secure adequate and timely supplies of fashion products.

The Group has recruited a senior manager with over ten years of experience in apparel industry as head of the merchandising team to strengthen the procurement and quality control of its product. The Group has re-employed two former experienced team members, including the chief designer to enhance its sourcing and re-build the brand image. In addition, the Group intends to invest in new information management system and staff training system to match with its business expansion plan.

Product cycle

The below chart illustrates the timing and major milestones of a complete business and product planning cycle:

Season	Design	Prototyping	Product/Delivery	Sales
Spring	August	September	October to January	January to April
Summer	August	September	January to March	March to August
Autumn	January	March	April to June	August to November
Winter	March	April	July to September	October to February

The season's product cycle would just be for several months, typically a garment retailing business entails two product cycles per year, namely, Spring/Summer and Autumn/Winter. The profit/loss effects would be more complicated as profitability or otherwise is a function of synchronisation of timing and degree of various business activities, such as product design, sampling, procurement for manufacturing, engaging/disengaging shops and other retail and distribution outlets, engaging/disengaging sale staff, promotion and advertising, shop front decoration/renovation, re-ordering within seasons, warehousing, inventory control and logistical support. This is further duplicated to reflect the two seasons for every year.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Business strategies

The management will focus on developing more franchisees through seasonal trade fairs while there is no growth plan for consignment stores. The Company in the coming few years will adopt a business expansion plan by (i) increasing its investment in self-operating stores in 2012 to build up enough size of operations; and (ii) seeking regional agents for assisting the development of new authorised retailers. According to the business plan, *XXEZZ* expects to open 42 new self-operating stores, and to have a total shop floor area of 6,275 square meters for the year ending 31 March 2012. The management has been identifying locations for opening new stores to match with the business expansion plan.

The viability of providing new lines of accessories, e.g. watches, belts, bags, etc., by the Group has been considered to enhance and diversify the product coverage of the *XXEZZ* brand. With an adjusted product mix and more marketing promotions, it is intended to rebuild the brand image of *XXEZZ* and enhance the brand recognition by the customers.

Management of the authorised retailers

The Group either sells products through a consignment arrangement or through a franchises arrangement in respect of operation of its authorised retailers. Consignment refers to those authorised retailers who sell *XXEZZ* products and share a percentage of revenue generated from such sales. Under a franchise arrangement, the franchisees purchase products from the Group at a discount and resell those to customers at regular retail prices.

The franchisees are bound to exclusively sell products under the “*XXEZZ*” brand pursuant to the franchise agreement and the Group sells products to the franchisees with a profit margin.

Potential authorised retailers are by referrals from existing authorised retailers, the senior management and the Investor. Once a potential authorised retailer is identified, the management will consider its financial strength, understanding of the local market, experience in the industry, etc.

After engaging an authorised retailer, the Group will help it to design and decorate its shop to be in consistent style with the *XXEZZ* brand. As set out in the engagement contract, the authorised retailer shall provide daily sales report for the Group’s management to review its sales volume and pricing of products. The Group will also conduct periodic inspection on authorised stores to ensure the same pricing strategy being carried out.

The management will also have regular meetings with the authorised retailers in relation to the promotion strategies adopted by the authorised retailers during seasons so that consistency can be maintained with all the shops of *XXEZZ* brand.

The authorised retailers are required to adopt the same customer services as offered by the self-operating stores, including the 7-day refundable policy. All the goods sold by authorised retailers are suppliers by the Group’s suppliers and will have passed through the same quality control process outlined in the section headed “Outsourcing” in this circular.

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The initial contract with an authorised retailer is normally executed for an average of approximately two years. If it fails to comply with the Group's pricing guidelines and/or customer services standard, and causes damage to the reputation of the *XXEZZ* brand, the engagement contract will terminate immediately and the Group reserves the right to claim against the authorised retailer. Depending on the overall financial and operational performance of an authorised retailer, the management will decide whether to renew the contract term with it upon the expiration of initial contract.

Customer services

XXEZZ adopts a 7-day refundable policy for any stock that have been sold even though it is not due to quality issue. Any stock return must be approved by relevant store manager and area manager respectively and must be supported with original purchase docket. If the stock is returned due to quality issue, the case will be directed to the customer service team which belongs to the sales department. Respective personnel must liaise with the merchandising team and the corresponding supplier for explanation and solution going forward.

XXEZZ has started to implement a VIP card programme since August 2010. Any customer who purchases over RMB500 at one time is eligible to apply for a VIP card which will be valid for two years. The VIP card holders will be able to enjoy certain benefits, which include a flat rate of 12% discount off the retail price, special discount if purchase is made on birthday and promotion sales made available only for VIP card members. The VIP card can be renewed for a further two-year period upon expiration should the accumulated purchase made during the first two years is over RMB2,000. This VIP card programme has been launched with a view to improving sales as well as rewarding the loyal customers.

Marketing and promotion

Trade Fairs

Trade fairs are scheduled to be held on a regular basis for the promotion of the new season stocks and the *XXEZZ* brand and attracting new authorised retailers. In September 2010 one trade fair was held in Anhui for the promotion of the *XXEZZ* brand to the locals and approximately 100 interested retailers attended. Another one was held in April 2011 for promoting 2011 autumn/winter season stocks. Upon completion of the restructuring, four trade fairs are scheduled in October 2011, January 2012, April 2012 and July 2012 respectively.

Advertisement and Website

XXEZZ primarily advertises its products through print media advertisements and its website (<http://www.XXEZZ.com.cn/>). Whenever there are new seasonal stocks and new store openings, the management would upload the information to the website and decide whether to place additional advertisements. *XXEZZ* has advertised its products in few magazines in the PRC, including 瑞麗 (Rayli Beauty & Fashion, whose target readers are young ladies craving for fashion and beauty) and 周末畫報 (Modern Weekly Lifestyle, whose target readers are general young upper class). In addition to the above, *XXEZZ* also advertises its products at the storefronts of the self-operating stores and authorised retailers.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Other promotion channels

XXEZZ holds special sales promotions during festivals, e.g. labour day, Valentine's Day and National Day. Free accessories with a total cost of RMB160,000 have been used for such promotion in 2010 including the following:

- Free shopping bag for any purchase over RMB299 at one time around the Labour Day holiday period;
- Free scarf for any purchase over RMB299 in and around Valentine's Day period;
- Free backpack for any purchase over RMB499 at one time during National Day holiday period;
- Free set of accessories including one cap, a scarf and a pair of gloves for any purchase over RMB499 at one time during November 2010;
- Free toy rabbit for any purchase over RMB499 and a pair of toy rabbits for any purchase over RMB699 at one time during the Christmas season in December 2010.

Outsourcing

In respect of outsourcing, the order processing department will prepare price list and sample list setting out all requirements before searching for capable suppliers. At least three suppliers will be contacted for fee comparison and requested for the provision of quotations. Information of suppliers and quotation will be recorded for future reference.

All suppliers will receive the same quotation requirement regarding the same prototype for fair competition and the protection of XXEZZ interest. Any fee deduction at the expense of quality is strictly avoided. The suppliers will be informed all the terms and conditions for delivery before placing a quotation. They are given 72 hours to submit a quotation and each quotation must be sealed and submitted to the senior management of XXEZZ. In the meantime, the selected suppliers have to manufacture the sample pattern based on the prototype provided by the designer. The merchandising team has to check the quality and pattern before making the final decision.

The merchandising team of XXEZZ purchases products on the basis of prevailing consumer preferences and market sentiment. The merchandising team captures the consumer preferences by conducting various marketing discussion groups/forums and attending various trade shows. Base on their past experience, corresponding inventory level and market sentiment, the merchandising team will then determine the optimum quantity to be ordered. Accordingly, the merchandising team will contact various suppliers to place orders with reference to respective offer price, product quality and delivery time.

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After determining the suppliers, a standard Quality Control (“QC”) process will be implemented. The Group has a QC team under its merchandising department. A QC staff will monitor the entire production process and is required to visit the suppliers’ factories incessantly during the production. There are also two major sample examinations being the semi-production examination during the production and final examination before the delivery of the stocks. Once the production is finalised, the supplier must send samples to Guangzhou Fibre Product Testing Institution (“GZFPTI”) for material quality check. Once such material QC report is obtained from GZFPTI, the QC staff has to sign off the internal QC check report to highlight the findings based on the final examination. The stock shall not be despatched from the suppliers’ warehouses unless our QC staff has signed off and approved the delivery. The QC staff is responsible for adhering the industry QC standard to ensure that all the delivered stock could meet the quality requirement under the Acceptance Quality Limit 4.0 International Standards.

Competitors

There are various brands in casual wear industry in the PRC. The age of the targeted customers of *XXEZZ* ranged from 18 to 35 years old. The major competitors, include but not limited to, Kama, Robinhood, Giordano, Baleno, Meters Bonwe and Semir. Most of these brands also target young people and have established sound reputation in the market.

Competition

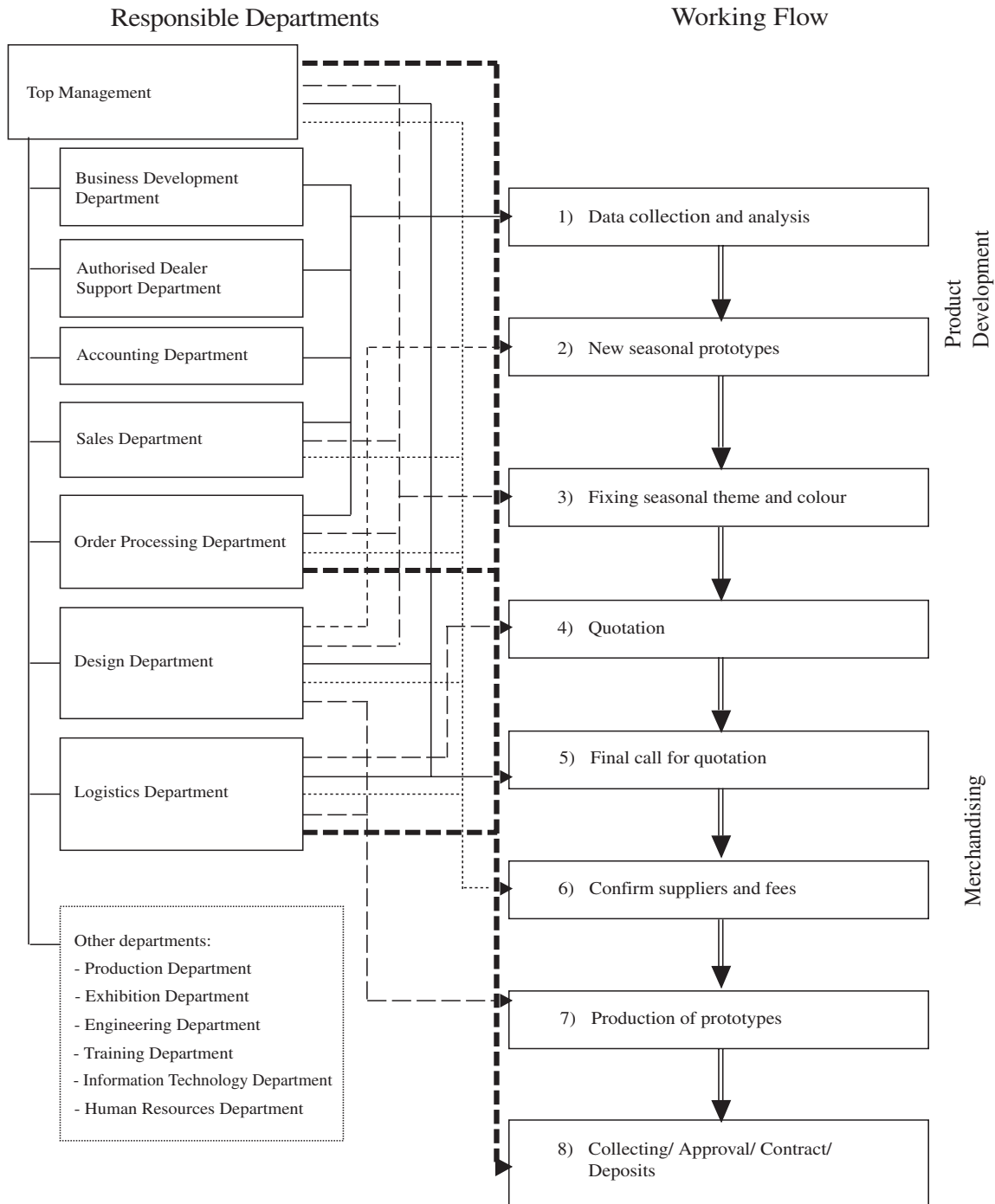
XXEZZ has won long-established market share as it has placed itself in the appropriate market position which includes catering and designing of the garments for target customers; upgrading store layout and providing appropriate training to the sales staff. However, the competition remains fierce given the significant number of players in the market. *XXEZZ* is continuing to work on stabilising the supplier source, lowering the product cost, expanding the product lines and strengthening the internal staff training program.

Product development and merchandising processes

The Group’s product design and development team is responsible for product design and development.

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XXEZZ has developed clear working flow guidelines for product sourcing and merchandise management with all the departments involved. The working flow is summarised in the following exhibit:



LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Step 1: Data collection and analysis

For every two weeks, the sales department and the accounting department will collect relevant operating figures, including sales volumes in different districts and number of orders, to identify the “best ten” and “worst ten” which will be used for the selection of designs in forthcoming seasons. Comparisons will also be made between *XXEZZ* and its industrial peers for pricing.

Step 2: New seasonal prototypes

The management of *XXEZZ* will objectively review the figures and opinion obtained in step 1 above for the selection of prototypes in the coming seasons. In the meantime, the designers will source prototypes from the market depending on the fashion trend for each season in the PRC and prime cities overseas.

Step 3: Fixing seasonal theme and colour

The design department will collect all short-listed prototypes to discuss with the senior management, sales department and inventory department for the determination of a theme and theme colors. Designers will request drafter team to produce a design books which will be approved by the design department.

Step 4: Quotation

The order processing department will prepare price list and sample list setting out all requirements in accordance with the conclusion in step 3 above before searching for capable suppliers. At least three suppliers will be contacted for fee comparison and requested for the provision of quotations. Information of suppliers and quotation will be recorded for future reference.

Step 5: Final call for quotation

All suppliers will receive the same quotation requirement regarding the same prototype for fair competition and the protection of *XXEZZ* interest. Any fee deduction at the expense of quality should be strictly avoided. The suppliers will be informed all the terms and conditions for delivery before placing a quotation. They are given 72 hours to submit a quotation and each quotation must be sealed and submitted to the senior management of *XXEZZ*.

Step 6: Confirm suppliers and fees

The senior management of *XXEZZ* will centralise all quotations received by the deadline of submission; quotations are kept sealed until all senior staffs are present. All selected quotations will be clearly presented with fees, terms and conditions which the senior management will make final approval.

Step 7: Production of prototypes

Following step 6 above, selected supplier will be informed to produce samples of each prototype for design team’s review. When necessary, the designers will participate in the follow up of the prototype production.

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Step 8: Collecting/Approval/Contract/Deposits

When the prototypes, textures, handiwork and accessories meet such standard acceptable to the management, the order processing department will proceed with suppliers for the finalisation of production costs.

The merchandising team of *XXEZZ* purchases products on the basis of prevailing consumer preferences and market sentiment. The merchandising team captures the consumer preferences by conducting various marketing discussion group/forum and attending various trade shows. Base on their past experience, corresponding inventory level and market sentiment, the merchandising team will then determine the optimum quantity to be ordered. Accordingly, the merchandising team will contact various suppliers to place order with reference to respective offer price, product quality and delivery time.

The trade cycle is such that design, mock-up and placing of orders with manufactures has to be performed several months ahead of time in order that shops will have new stocks to sell when the season begins. This implies that a complete business and product planning cycle has to be put in place, matching sales capacity (measured by the number and size of outlets) to order placing (further broken down by product themes), advertising and promotion, shop decoration and fitting out, as well as staff resource planning including training.

Information system management

The Group adopted a real-time point of sale system, Interlink (the “**Information System**”). The Group’s retail stores are equipped with the said system to record and collect sales details and inventory movement on a timely basis. The Information System is linked with the accounting system to provide processed information in the form of daily point of sale report and monthly sales report for each retail store and the management of the Group. With the assistance of the Information System, it is easy to track all historical transactions of a particular item in a timely manner. The ability to sort information in such format as required by the retail stores and the management of the Group allows them to, among other things, better track and analyse product margins, consumer preferences and demand, as well as support inventory, sourcing and logistic arrangements.

Store operation management

XXEZZ sells its products primarily through two channels, self-operating stores and authorised retailers.

As at the Latest Practicable Date, there were 64 self-operating stores, which comprise 26 retail outlets and 38 store counters in department stores, with a total of 274 sales staff. Rental is charged according to the flow areas of the retail outlets and monthly sales turnover of the store counters in department stores.

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For self-operating stores, in addition to basic salaries, the Group motivates its sales staff with incentive commission. In general, the commission scheme mainly comprises two parts: (i) commissions based on the total monthly sales achieved by the relevant sales point or the relevant individual staff above the relevant monthly sales target set by the management of the Group; and (ii) extra bonus based on the special sales target set by the Group from time to time. The commission scheme proves to be effective in attracting and maintaining excellent sales staff which is demonstrated by a lower employee turnover rate. The Group also provides training programs to its sales staff, which cover topics such as shop operations, stock displays, effective communication skills, service standard requirements and product knowledge.

For authorised retailers, the Group either sells products through a consignment arrangement or through a franchises arrangement. Consignment refers to those authorised retailers who sell *XXEZZ* products and share a percentage of revenue generated from such sales. Under a franchise arrangement, the franchisees purchase products from the Group at a discount and sell them to customers at regular retail prices.

The franchisees are bound to exclusively sell products under the “*XXEZZ*” brand pursuant to the franchise agreement and the Group sells products to the franchisees with a profit margin.

Cash control and management policies

Daily reports on the bank transactions and balances of the Group are prepared by its treasury staff and weekly cash sales reconciliation are prepared by separate account staff, both reports are reviewed by the management regularly. Monthly cashflow forecasts are also prepared to facilitate the management of the Group’s cashflow.

The Group has adopted strict internal control procedures for handling cash received at its stores, which include the following:

- all cash receipts are deposited in the bank in the next business day;
- cash count is performed on every shift of staff, and cash count reports are prepared and reviewed by separate staff;
- all daily cash count reports and cash deposit slips are faxed to the respective accounting department in area offices, the originals shall be delivered to the area accounting departments on a monthly basis;
- regular check is conducted by area accounts staff for cash proceeds at the bank against the deposits slips received, inquires shall be raised immediately if there is any discrepancies;
- weekly reconciliation is performed between the cash sales recorded in the Information System and respective cash receipts appeared in the bank statements;

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

- random checks on the sales receipts to ensure that sales are properly recorded by the Information System;
- payment by debit or credit cards will only be accepted after online approval from banks/ credit card operators are obtained; and
- settlement by debit or credit cards are checked against bank statements to ensure proper receipts and discrepancies will be followed up with bank/credit card operators.

Inventory control

XXEZZ monitors inventories at every stage they are on hand, including receipt, warehousing, transfer and return. With respect to receipt, the date of delivery, name of supplier and quantity of goods are recorded and the goods are matched against a packing list by a supervisor. Stock in and stock out notices will be prepared when the goods were allocated in and out of the divisional warehouse or main warehouse respectively. With the help of the Information System, inventory level at stores will then be closely monitored to make replenishment if any shortage is found. Any defective goods which are returned will be stored separately in a specific area.

Leases of self operating stores

The terms of lease/tenancy agreements range from six months to two years, with an average life of about one year as at Latest Practicable Date. The Company normally engages the relevant landlords to negotiate new lease/tenancy agreements two months prior to the expiry of existing lease/tenancy agreements.

Risk factors

Risks Relating to the Business

The Group's business is susceptible to abnormal weather conditions.

The trade cycle is such that design, mock-up and placing of orders with manufacturers has to be performed several months ahead of time so that shops will have new goods to sell when the season begins. Therefore, if there are abnormal weather conditions, the revenue of the business will be susceptible to such unexpected changes.

The Group may be affected by infringement of its intellectual property rights.

The Group's trademarks and other intellectual property rights are important to its success and competitive position. The management relies, to a significant extent, on PRC laws to protect the Group's trademarks or other intellectual property rights. There is no assurance that third parties will not infringe the Group's intellectual property rights which will have adverse impact on the sales of products of the Group.

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The Group may be exposed to claims relating to product liability, property damage or personal injury.

As at the date of this submission, all of the Group's products were sold in the PRC. The Group may be exposed to product liability claims and other third party liabilities, and it may, as a result, have to expend significant financial and managerial resources to defend against such claims.

Risks Relating to the Industry

The Group faces intense competition.

The PRC market for casual wear products is highly competitive. The Group's casual wear products compete on the basis of brand image, design, product mix, quality, price, customer service and the breadth of the retail network. Foreign brands generally provide better quality and customer service and their designs tend to be more fashionable, while domestic brands generally are better priced and enjoy greater retail coverage in the PRC. With the liberalisation measures adopted pursuant to the PRC's accession to the World Trade Organisation, or WTO, foreign brands are permitted to expand their sales network within the PRC with fewer restrictions.

Risks Relating to the PRC

The adverse changes in economic conditions in the PRC will affect the business of the Group.

Currently, the Group's entire turnover is derived from the operations in the PRC. Accordingly, the business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in the PRC. PRC economic, political and social conditions, as well as government policies, could adversely affect the Group's business.

Other Risks

A material disruption of the Group's operations or the operations of the Group's retail outlets from force majeure events could materially and adversely affect the Group's results of operations.

The Group's operations are subject to uncertainties and contingencies beyond the management's control that could result in material disruptions and adversely affect the Group's results of operations. These include war, riot, public disorder, civil commotion, fire, earthquake, flood and other natural calamity, epidemic, outbreak of infectious disease, terrorism, whether locally or nationwide, or incidents such as industrial accidents, equipment failures, malfunction of information systems or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or utilities. Any such disruption of the Group's operations could cause the Group to disrupt, limit or delay production, prevent the Group from meeting customer orders, increase the costs of production or require the Group to spend additional capital expenditures, each of which could materially and adversely affect the results of operations. Force majeure events may also materially and adversely affect the operations performance of the retail outlets and or the sales and demand of the products in the relevant markets. In such event, the Group's results of operations may be materially and adversely affected.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the operating results and business review of the Company for each of the three years ended 31 March 2010, 2009 and 2008 and the six months ended 30 September 2010. It should be noted that the auditors gave an adverse opinion in the accounts for the year ended 31 March 2008, and the replacement auditors disclaimed the final results for the year ended 31 March 2009 and gave qualified opinions on the final results for the year ended 31 March 2010. Also, maintenance of management continuity in a provisional liquidation scenario may not be consistent with the duties of the provisional liquidators, although in this situation, the Provisional Liquidators have endeavoured to keep the operational management stable. Analyses of the financial performance should therefore be construed in that light, and may be of limited value.

For the Six Months Ended 30 September 2010

Business review

The main business activity of the Group is the retailing of garment in the PRC.

Turnover and Gross Profit

For the six months ended 30 September 2010, the Group's turnover was approximately HK\$22.79 million (six months ended 30 September 2009: HK\$21.44 million), representing an increase of approximately 6.30% as compared to the corresponding period of last year. The slightly increase in turnover is attributable to the recovery of the global economy from the financial crisis in 2008 and the Group's continuing enhancement on the merchandising team to strengthen the procurement and quality control function and improvement of inventory management which improved the timing on replenishment of stock and reduced the volume of discounted items being sold due to late shipment or inferior quality. The Group will keep improving on this aspects as disclosed in the section headed "Prospect" below in this circular.

The Group's gross margin for the six months ended 30 September 2010 was 43.91% (six months ended 30 September 2009: 39.43%), representing an increase of approximately 4.48% as compared to the corresponding period of last year. This is due to an improvement in the gross margin of self-operating shops to an average gross margin of approximately 44% for the six months ended 30 September 2010 (six months ended 30 September 2009: 40%). This is also attributable to an improvement in the inventory management and more effective discount policies. However, the management has difficulties to obtain further reduction on production cost as the Company remains in financial distress and have limited working capital which hindered the ability of the Group to obtain better pricing policy with the suppliers. The Group aims to further increase gross margin upon Closing as described in the section headed "Prospect" below in this circular.

Closing inventories at 30 September 2010 were approximately HK\$5.79 million (six months ended 30 September 2009: HK\$7.83 million). Inventory turnover on sales for the six months ended 30 September 2010 was 194 days (six months ended 30 September 2009: 191 days). This indicated a longer days for the Group to sell its inventory due to a substantial drop in the number of authorised retailers from 23 to 3 for the period from 30 September 2009 to 30 September 2010. As the long

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

suspension status remained during the period and the limited product range provided by XZEZZ due to limited working capital, the confidence of the authorised retailers dropped and they didn't place order or renew contracts with the Group. However, the impact is reducing as the Group has enlarged its scale of self-operating stores to bolster its operating scale. The Company considers the financial impact of the reducing number of authorised retailers will be compensated by the increase in the size of the self-operating stores.

Operating expenses

Operating expenses comprised (i) distribution costs; and (ii) administrative and other operating expenses. Distribution costs were all attributed to shops and branches whereas administrative and other operating expenses were attributed to the headquarter, shops and branches.

For the six months ended 30 September 2010, distribution costs amounted to approximately HK\$18.8 million (six months ended 30 September 2009: HK\$24.6 million). The decrease in the distribution costs is due to a reduction in the number of authorised retailers from 23 to 3 from 30 September 2009 to 30 September 2010 which resulted in a decrease in related selling expenses. During the period under review, administrative and other operating expenses were approximately HK\$74.0 million (where administrative expenses of approximately HK\$4.9 million were attributed to the headquarter and other operating expenses of approximately HK\$9.4 million were attributed to shops and branches) (six months ended 30 September 2009: HK\$5.7 million, where administrative expenses of approximately HK\$1.7 million were attributed to the headquarter and other operating expenses of HK\$4.0 million were attributed to shops and branches). The breakdown of the administrative and other operating expenses can be summarised in the following table:

	Six months ended 30 September	
	2010	2009
	(approx.)	(approx.)
shops and branches (<i>Note 1</i>)	9.4 million	4.0 million
headquarter (<i>Note 2</i>)	4.9 million	1.7 million
Provision for bank loan guarantees for subsidiary	59.7 million	—
	<u>74.0 million</u>	<u>5.7 million</u>

Notes:

1. Other operating expenses were increased for setting up of Newco and the expansion of the self-operating shops. Additional cost have also incurred for hiring of administrative staff for various functions to deal with the expansion of the business.
2. The increase in administrative expenses of headquarter is due to costs and professional fees incurred in the implementation of the New Proposal and seeking fulfilment of the Resumption Conditions.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Profit/Loss attributable to Shareholders

The consolidated total comprehensive loss for the six months ended 30 September 2010 attributable to the Shareholders was approximately HK\$98.4 million (six months ended 30 September 2009: loss of HK\$23.8 million). The increase in the loss was mainly attributed to the provisional for bank loan guarantees for a subsidiary amounted to approximately HK\$59.7 million and the finance cost, which will be accrued and discharged through the Schemes, of approximately HK\$17.76 million. Basic loss per share was approximately HK4.45 cents for the six months ended 30 September 2010 (six months ended September 2009: loss per share HK1.08 cents).

The Group's financial position

Bank balances and cash including escrow money as at 30 September 2010 was approximately HK\$7.2 million (as at 30 September 2009: HK\$13.0 million).

Closing inventories as at 30 September 2010 were approximately HK\$5.8 million (as at 30 September 2009: HK\$7.8 million). Inventory turnover on sales for the six months ended 30 September 2010 was 194 days. (six months ended 30 September 2009: 191 days).

The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds is not applicable as the Group had shareholders' deficits as at 30 September 2010 and 30 September 2008 respectively.

Human Resources

As at 30 September 2010, the Group had a total of 314 employees, who were distributed in the following departments:

Department	Number of employees
Business development department and Authorised Dealer Support Department	4
Accounting Department	14
Sales Department – Office staff	11
Sales Department – Store staff	230
Order Processing Department	11
Design Department	2
Logistics Department	20
Exhibition Department	2
Engineering Department	5
Information Technology Department	4
HR Department and Training Department	6
Stock Department	5
Total	314

The Group remunerates its employees based on performance and experience.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The Group's subsidiary in the PRC participates in a defined contribution retirement scheme organized by the PRC municipal government. The said subsidiary is required to make contributions at approximately 20% of the relevant PRC employees' salaries to the scheme.

Save as disclosed above, the Group has no other significant obligations to make payments in respect of retirement benefits of the employees.

Other Information

Dividend

There was no payment of any dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

Foreign exchange exposure

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities as the Company under provisional liquidation cannot incur liabilities resultant from hedging.

Material acquisitions and disposals

Based on published information, the Group entered into the following transactions during the six months ended 30 September 2010:

- On 9 April 2010, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the Supplemental Deed on 3 April 2009 pursuant to which Forefront and Hansom agreed to extend the period of not exercising their respective share charge over the Ever Century Shares from 12 months to 24 months from the date of the Settlement Deed.
- On 26 May 2010, the Company, the Provisional Liquidators, the Investor and the Escrow Agent entered into the Restructuring Agreement which provided for, inter alia, the Capital Reorganisation, the Open Offer, the issue of the Convertible Bonds and the Schemes.
- On 28 May 2010, New Profit, an indirect 90% owned subsidiary of the Company, was placed into creditors' voluntary liquidation pursuant to the Companies Ordinance.
- On 8 August 2010, the Company notified the Shareholders for the Capital Reorganisation which comprised (i) the reduction in par value of all the issued shares from HK\$0.1 to HK\$0.001 whereby all unissued shares will be cancelled; (ii) the consolidation of every 10 issued shares of par value of HK\$0.001 into one new share of par value of HK\$0.01 each; and (iii) the increase of the Company's authorised share capital from HK\$400 million to HK\$500 million, divided into 50,000,000,000 Reorganised Shares of HK\$0.01 each.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

For the three years ended 31 March 2010

Business review

Trading in the shares of the Company has been suspended from trading on the Stock since 30 July 2008.

On 11 September 2008, the Company filed a self petition for winding up and Bank of America N.A. filed an application to support the petition for the winding up of the Company. The High Court appointed Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, to act as the Provisional Liquidators on the same day.

To the best of the Provisional Liquidators' knowledge and information, since the time of their appointment, the Company is principally engaged in investment holding and the Group is principally engaged in the apparel retail business in the PRC, being the only business remaining under the Group's control.

Turnover and gross profit

For the year ended 31 March 2010, the Group's turnover was approximately HK\$55.65 million, representing a decrease of approximately 48.3% as compared to the year ended 31 March 2009. The decrease was due to the limited working capital and a reduction of the Group's sales points in the PRC. As at 31 March 2010, the numbers of self-operating stores and authorised retailers were decreased to 51 and 5 respectively. (Numbers of self-operating stores and authorised retailers as at 31 March 2009 were 59 and 102 respectively) The Group's gross margin for the year was approximately 32.0%.

For the year ended 31 March 2009, the Group's turnover was approximately HK\$107.7 million (2008: HK\$259.2 million), representing a decrease of approximately 58.5% as compared to the corresponding period of the previous year. The decrease was mainly due to the fact that customers' confidence towards the Group and its brand image faded and working capital was insufficient to support a normal operation caused by sudden suspension of trading in the Shares since 30 July 2008. The Group's gross margin for the year ended 31 March 2009 was only 33.2% (2008: 52.3%) for the same reasons as mentioned above.

Continuing operations (31 March)	2010	Year-on-year change	2009	Year-on-year change	2008
Group's turnover (<i>HK\$'000</i>)	55,648	-48.3%	107,684	-58.5%	259,275
Group's gross profit (<i>HK\$'000</i>)	17,802	-50.2%	35,775	-73.6%	135,574
Group's gross margin	32.0%	-1.2%	33.2%	-19.1%	52.3%

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

Operating expenses

Operating expenses comprised (i) distribution costs; and (ii) administrative and other operating expenses. Distribution costs were all attributed to shops and branches whereas administrative and other operating expenses were attributed to the headquarter, shops and branches.

For the year ended 31 March 2010, distribution costs amounted to approximately HK\$43.4 million (2009: HK\$77.2 million), accounting for 77.9% of the turnover (2009: 71.7%), illustrating the effects of the fixed cost element of an ongoing operation suffering from a set-back in sales. During the year, administrative and other operating expenses were approximately HK\$15.4 million (where HK\$5 million were attributed to the headquarter and HK\$10.4 million were attributed to shops and branches) (2009: HK\$231.9 million, where HK\$224.4 million were attributed to the headquarter and HK\$7.5 million were attributed to shops and branches), representing a decrease of 43.8%.

For the year ended 31 March 2009, distribution costs amounted to approximately HK\$77.2 million (2008: HK\$99.6 million), accounted for 71.7% of the turnover (2008: 38.4%). The decrease was the result of the reduction in the number of outlets. During the year, administrative and other operating expenses were approximately HK\$231.9 million (where HK\$224.4 million were attributed to headquarter and HK\$7.5 million were attributed to shops and branches) (2008: HK\$2,683.2 million, where HK\$2,676.1 million were attributed to the headquarter and HK\$7.1 million were attributed to shops and branches), representing a decrease of 91.4% due to losses from (i) deconsolidation of subsidiaries; (ii) impairment of assets; and (iii) provisions for bank loan guarantee for certain subsidiaries and deconsolidated subsidiaries incurred during the year ended 31 March 2008. There is little comparative value in these figures for the same reasons as mentioned above.

Profit/Loss attributable to Shareholders

The consolidated loss attributable to Shareholders amounted to approximately HK\$59.2 million for the year ended 31 March 2010 (2009: loss of HK\$97.2 million). Basic loss per share was approximately HK2.68 cents for the year ended 31 March 2010 (2009: loss per share HK4.41 cents).

Loss attributable to the shops/branches amounted to approximately HK\$28.5 million for the year ended 31 March 2010 (2009: loss of HK\$44.2 million). The loss attributable to the shops/branches was reduced due to the recovery of the global economy and a gradual rejuvenation of the Group as a result of the restructuring of the business including restructuring of the retail network and closure of unprofitable shops/branches. The consolidated loss attributable to Shareholders for the year ended 31 March 2009 amounted to approximately HK\$97.2 million (2008: HK\$2,660.9 million). Loss per share was approximately HK4.41 cents as compared with loss per share of approximately HK124.52 cents for the preceding year. Loss attributable to the shops/branches amounted to approximately HK\$44.2 million for the year ended 31 March 2009 (2008: profit of HK\$33.1 million).

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The Group's financial position

Bank balances and cash including escrow money as at 31 March 2010 was approximately HK\$13.0 million (2009: HK\$8.2 million). Bank balances and cash including escrow money as at 31 March 2009 was approximately HK\$8.2 million (2008: HK\$2.7 million).

Closing inventories at 31 March 2010 were approximately HK\$7.8 million (2009: HK\$15.2 million). Closing inventories at 31 March 2009 were approximately HK\$15.2 million (2008: HK\$46.2 million). Inventory turnover on sales for the year ended 31 March 2010 was 111 days. Inventory turnover on sales for the year ended 31 March 2009 was 156 days (2008: 531 days. This ratio has been distorted as the opening inventory figure for the financial year ended 31 March 2008, being the closing inventory as at 31 March 2007, consist of substantial amount of inventory from the deconsolidated subsidiaries). The improvement in inventory turnover is attributable by an improvement in the purchase and inventory management system which resulted in timelier stock ordering and delivery.

The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds is not applicable as the Group had shareholders' deficits as at 31 March 2010, 31 March 2009 and 31 March 2008.

Major customers and suppliers

In the year ended 31 March 2010, purchase from the 5 largest suppliers accounted for 73% of the total cost of sales for the year with the largest supplier accounted for 20% of the total cost of sales for the year.

As the Group is engaged in retail of garment business, there is no statistics in respect of the largest and 5 largest customers.

None of the Directors or any of their associates or shareholders (which, to the best knowledge of the Provisional Liquidators, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

Human resources

As at 31 March 2010, the Group employed about 329 full time employees. The Group remunerates its employees based on performance and experience.

The Group's subsidiary in the PRC participates in a defined contribution retirement scheme organized by the PRC municipal government. The said subsidiary is required to make contributions at approximately 20% of the relevant PRC employees' salaries to the scheme.

Due to the failure to have access to the books and records of certain subsidiaries and resignations of the majority of management personnel responsible for maintaining the books and records, the Provisional Liquidators do not have sufficient data to compile the information regarding the Group's employees and remuneration policies for the two years ended 31 March 2009.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

To the best knowledge of the Provisional Liquidators, save as disclosed above, the Group had no other significant obligations to make payments in respect of retirement benefits of the employees.

Other Information

Dividend

There was no payment of any dividend for each of the years ended 31 March 2010, 2009 and 2008.

Foreign exchange exposure

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities as the Company under provisional liquidation cannot incur liabilities resultant from hedging.

Material acquisitions and disposals

Based on published information, the Group entered into the following transactions during the three years ended 31 March 2010:

- Entered into an agreement on 25 May 2007 to acquire 90% of the issued share capital of Best Favour at a cash consideration of HK\$330 million. Best Favour, through its subsidiaries, is engaged in the fashion design and management of its *XXEZZ* brand of smart casual wear. The said transaction was completed in June 2007.
- Entered into a settlement agreement with Sino Legend Limited (“**Sino Legend**”) on 13 October 2007 to redeem the Group’s 600,000 preferred shares in Sino Legend for (i) a cash consideration of US\$16 million (equivalent to approximately HK\$124.8 million); and (ii) the entire issued share capital of a company which owned certain trademarks of the “Mudd” brand in Greater China and the right of Mudd (USA) LLC (“**Mudd USA**”) to negotiate in good faith to enter into commercially reasonable arrangement (i.e. joint venture) to exploit certain trademarks of the “Mudd” brand in Asia (other than Greater China) and the Middle East providing for an equal sharing of costs and royalties with Iconix Brand Group, Inc. (“**Iconix**”) pursuant to the agreement entered into between Mudd USA and Iconix dated 31 March 2006. The said transaction was completed on 29 February 2008.
- Based on published information, prior to the appointment of the Provisional Liquidators, the Group entered into an agreement on 8 July 2008 to acquire 40% of both the entire issued share capital of and the shareholder’s loan due by Global Agricultural Development Limited at a total consideration of HK\$300 million which would be satisfied by the

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Group procuring Global Far East (Macao Commercial Offshore) Limited, an indirect wholly-owned subsidiary of the Company, to assign as beneficial owner, all the rights, title, benefits and interests in its account receivables in the aggregate book values of HK\$300 million upon completion of the said transaction. However, there is no evidence which shows that the said transaction has been completed.

- On 15 August 2008, the Company's interest in Ever Century, a wholly owned subsidiary of the Company, which in turn holds directly and indirectly the entire issued share capital of all the remaining subsidiary companies in the Group, was transferred to Merrier.
- On 3 April 2009, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the Settlement Deed pursuant to which Merrier agreed to transfer the interest in Ever Century (a wholly-owned subsidiary of the Company the entire equity interest of which was charged and transferred to Forefront by the Company in June 2008 and August 2008 respectively) back to the Company in order to facilitate the restructuring of the Company and Forefront and Hansom acknowledged, confirmed and agreed that there was no intention to change the beneficial ownership of interest in Ever Century or the Company's control over Ever Century.
- On 29 May 2009, the Provisional Liquidators, Ever Century and Key Winner (a special purpose vehicle controlled by the Provisional Liquidators) entered into a sale and purchase agreement where Key Winner agreed to acquire and the Provisional Liquidators (on behalf of the Company) agreed to sell Ever Century's entire interest in Lantern Services Limited, Potter Industries Limited and Sino Profit Limited at a nominal consideration of HK\$1. The said transaction was so arranged primarily in furtherance of the Group's restructuring.
- On 9 April 2010, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the supplemental deed to the Settlement Deed pursuant to which Forefront and Hansom agreed to extend the period of not exercising their respective share charge over the shares of Ever Century from 12 months to 24 months from the date of the Settlement Deed.

Prospect

It is anticipated that the financial position of the Group will be substantially improved upon (i) the successful implementation of the Restructuring Agreement; and (ii) the resumption of trading in the shares on the Stock Exchange. The Investor and the Provisional Liquidators anticipate all existing liabilities owed to the Scheme Creditors and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes.

It is the Investor's intention to maintain the Group's existing retail business, which is currently conducted through Newco, an indirect wholly-owned subsidiary of the Company and the subsidiary of the Company operating a substantial part of the business. Since 31 March 2010, being the date of the latest published audited accounts of the Company, with the strong and continuous support provided

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by the Investor to the Group in terms of both business and financial aspects, the Group has been and will be able to sustain its retail business at a sufficient level in upcoming financial years and expand its retail business to a substantial level within a reasonable period of time after the resumption of trading in the Shares on the Stock Exchange.

Business development plan

As disclosed above, the number of authorised retailers has dropped substantially since the Suspension and without the resumption of trading in the Shares and discharge of the Provisional Liquidators, the confidence of the authorised retailers will not be regained. The Group has decided to increase its investment in developing self-operating stores and to seek regional agents to assist in developing new authorised retailers. Therefore, it is expected that upon Closing, there will be an immediate growth in the number of both the authorised retailers and self-operating stores. The business development plan of the Company for the three years ending 31 March 2013 is summarized below:

For each year ended/ing 31 March	No. of authorised retailers		No. of self-operating stores		Total square meters of self-operating stores	
	new	accumulated	new	accumulated	new	accumulated
2011	3	6	11	61	580	3,905
2012	55	61	42	103	2,370	6,275
2013	24	85	–	103	–	6,275
Total	82	85	53	103	2,950	6,275

As the expected date of the Closing and resumption of the trading in the Shares will be in August 2011, the Company will only have revitalized working capital for about six months out of the year ending 31 March 2012. The business and product planning cycle for the retail business normally lasts several months and months before the sales can be recorded, expenses are normally incurred in various business activities such as product design, sampling, procurement for manufacturing, engaging/disengaging shops and sales staff, etc. Therefore, a full business and product planning cycle will only be realized in the financial year of 2013.

In addition, although the Group has been working hard to negotiate the terms with the existing suppliers, with limited working capital and as being in the provisional liquidation status, the Group is unable to reduce its sourcing cost to normal situation and has also been suffered from delay in delivery. After Closing, the Group will be in a better position to bargain with the existing and potential suppliers as they gradually regain their confidence in the Group's ongoing future business prospect. It is expected that the level of cost of sales will eventually be normalized to that prior to 2008. Furthermore, with ample working capital upon Closing, the Group will be able enhance its brand name and product ranges to reduce its sales discounts to the customers. Therefore, the gross profit margin will revert to industry norm.

As such, the Company is confident that the profit forecast for the 30 month period ending 31 March 2013 as set out in Appendix VI in this circular is reasonable and achievable.

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Use of proceeds from the Open Offer and the subscription of Convertible Bonds

The Group will raise approximately HK\$150 million from the Open Offer and HK\$100 million from the subscription of the Investor Convertible Bonds. There will be no proceeds from the subscription of the Creditors Convertible Bonds.

The net proceeds from the Open Offer will be approximately HK\$146 million after expenses arising therefrom. As stated in the note 9 to Appendix IV in this circular, approximately HK\$34.6 million will be used to settle the transfer of the XXEZZ Assets from New Profit Luo Ding to Newco before Closing.

The Company will receive gross proceeds from the subscription of the Investor Convertible Bonds of no less than HK\$59 million after setting off (i) the Working Capital Loan of HK\$10 million; (ii) fees and costs of HK\$16 million incurred by the Company for the restructuring of the Group; and (iii) an amount up to HK\$15 million drawn down from the Revolving Facility. A sum of HK\$50 million out of the gross proceeds will be made available to the Scheme Administrators for the benefit of the Scheme Creditors and New Profit for the benefit of the New Profit Stakeholders.

Therefore, an aggregate of approximately HK\$120 million cash proceeds will be remained with the Group for the general working capital upon Closing.

Unaudited pro forma financial information of the restructured Group

The unaudited pro forma financial information of the Group is set out in Appendix IV to this circular. Taking into account the financial effects of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the last installment fees and costs provided by the Investor to the Company for the implementation of the restructuring of the Group; (iv) the Revolving Facility provided by the Investor on 8 November 2010; (v) the subscription of the Investor Convertible Bonds; (vi) the total of HK\$41 million, being the Working Capital Loan and the Revolving Facility provided by the Investor and the fees and costs incurred by the Company for the Group's restructuring, to be offset from the proceeds from the issue of the Investor Convertible Bonds; (vii) the Schemes and the New Profit Agreement; and (viii) the deconsolidation effect of New Profit Luo Ding, the unaudited pro forma total assets value and net assets value of the Group were approximately HK\$192.2 million and HK\$78.5 million respectively as if Closing had taken place on 30 September 2010.

Profit estimate and forecast

The profit estimate and forecast for the 30 month period ending 31 March 2013 is set out in Appendix VI to this circular.

The profit estimate for the year ended 31 March 2011 is prepared based on the management accounts of the Group for the period from 1 April 2010 to 31 December 2010 and the forecast performance for the period from 1 January 2011 to 31 March 2011. The estimated consolidated loss attributable to equity holders of the Company is approximately HK\$37.02 million with unaudited loss per Reorganised Share of HK\$0.1673. If taking out the restructuring cost and any exceptional items, the estimated operational loss for the year ended 31 March 2011 is approximately HK\$32.03 million.

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According to the timetable set out in the section headed “Expected Timetable” in this circular, trading in the New Shares Upon the Share Consolidation of ten Reorganised shares to one New Share is expected to take place in August 2011 and the Group will then have sufficient working capital and be able to gradually revert to its normal operational situation.

The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 March 2012 is no less than approximately HK\$1,287.7 million with unaudited pro forma forecast earnings per New Share of approximately HK\$0.4730. Should the effects of the Schemes, the New Profit Agreement, the restructuring cost and group reorganisation in respect of New Profit Luo Ding not be taken into account, the forecast consolidated loss attributable to equity holders of the Company for the year ending 31 March 2012 will then be approximately HK\$2.63 million. By the year ending 31 March 2012, the Company is expected to be operating in normal conditions.

The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 March 2013 is no less than approximately HK\$16.1 million with unaudited pro forma forecast earnings per New Share of approximately HK\$0.0059. The forecast net profit of approximately HK\$16.1 million for the year ending 31 March 2013 reflects the Group’s profitability in normal situations.

Corporate governance

As stated in the Previous Circular, the Company has proposed to appoint Mr. Ho Tak Fun, Josef, Mr. King, Philip and Mr. Chiu Siu Po executive Directors upon Closing and such resolution was approved by the Shareholders in the Previous EGM. The brief biographical details of the proposed Directors are set out below.

Mr. Ho Tak Fun, Josef, aged 56, received a Bachelor degree in Business Administration, Marketing from the Chinese University of Hong Kong and a Master degree in Science, Information Systems from the Hong Kong Polytechnic University. He was a general manager of Jumbo Grade Co., Limited, which runs leading retail chain stores in books, magazines, stationery and speciality items and he has held the position as General Manager in the past 20 years with good exposure to international business.

Mr. Ho is a seasoned retail practitioner with profound experience in launching, strategic planning, business development and operations of both the PRC and Hong Kong retail businesses. He also has extensive knowledge in marketing, merchandising, distribution and promotion on consumer products and mass merchandise.

Mr. King, Phillip, aged 39, received a Master’s degree in Business Administration from the University of San Francisco in the United States of America. He has over 20 years of experience in real estate investment, management and development. Since 2005, Mr. King has been appointed executive director and the managing director of Willie International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. King was also an independent non-executive director of Glory Future Group Limited (presently known as China Metal Resources Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange which he subsequently resigned in November 2007. He has experience in administration, strategic development and investor relations for listed companies in Hong Kong.

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Mr. Chiu Siu Po, aged 61, is the managing director and chief executive officer of More Fortune Company Limited, a company principally engaged in import and export of textile business. Mr. Chiu has over 20 years of experience in textile industry for the manufacturing, sales and distribution. Since January 2006, Mr. Chiu has been appointed as an independent non-executive director of Freeman Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 279). In addition to his valuable expertise in textile industry, Mr. Chiu also has extensive corporate and investment experience in both Hong Kong and the PRC markets.

The Company currently has three independent non-executive Directors, namely Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok, and Mr. Kooi Tock Chian. As at the Latest Practicable Date, all the independent non-executive Directors indicated that they will remain on the Board upon Closing.

As per one of the Resumption Conditions, the Company will appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date and disclose the review results in the 2012 annual report.

INFORMATION ON THE INVESTOR

The Investor is principally engaged in investment holding and is incorporated in the BVI. The Investor is wholly-owned by Moon Light Investments Group Limited, which in turn is wholly-owned by Moon Light Trust. The trustee of Moon Light Trust is Fidelitycorp Limited.

The sole beneficiary of Moon Light Trust is Ms. Huang Min Chuan Joan ("**Ms. Huang**"). Mr. Chuang Eugene Yue-chien ("**Mr. Chuang**"), son of Ms. Huang, is the sole director of the Investor. The Investor, its sole director, its ultimate beneficial owner and parties acting in concert with any of them are independent third parties of the Company and its connected persons. Save for entering into the Exclusivity and Escrow Agreement, the Restructuring Agreement, the Supplemental Restructuring Side Letters, the Investor Subscription Agreement, the Supplemental Investor Subscription Agreement and the Sub-underwriting Letter (which has lapsed), none of the Investor, its sole director, its ultimate beneficial owner and parties acting in concert with any of them has dealt in, borrowed or lent the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares during the period commencing on the date falling six months prior to the date of the RA Announcement and up to the Latest Practicable Date. As at the date of the Latest Practicable Date, the Investor, its sole director, its ultimate beneficial owner and parties acting in concert with any of them did not hold or control any Shares, warrants, options or convertible securities of the Company or any derivatives in respect of the securities of the Company.

Ms. Huang has been an active investor in the securities market for over 30 years with an investment portfolio reaching as high as HK\$100 million. She is a financial investor and does not intend to sit on the Board.

Mr. Chuang, aged 56, has over 30 years of experience in the financial services industry. He obtained a bachelor's degree in Biochemistry from the University of Pennsylvania in 1977 and Master of Business Administration from Indiana University in 1979. Upon graduation, Mr. Chuang joined PNC Financial Corp. rising to Vice President and General Manager before leaving in 1984. He then

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joined the Institutional Markets Division of Standard Chartered Group to work on Asia Pacific related transactions until 1986. From 1987 to 1991, he worked for Bankers Trust and then Salomon Brothers in Hong Kong and Taiwan, before leaving to set up Capital Union Inc. and Hennabun Capital Group Limited (“HCGL”) (formerly known as Hennabun Management Inc. and subsequently renamed as Hennabun Management International Limited), both privately held investment companies. He has been appointed as the Managing Director of HCGL as well as director of certain subsidiaries since 1996 to supervise and manage the overall activities of HCGL. He resigned as the Managing Director of HCGL in November 2009 but has been retained as a director and responsible officer of CU Corporate Finance Limited until March 2010, which is a subsidiary of HCGL and licensed by the SFC to carry on the regulated activity of advising on corporate finance. HCGL is a privately held financial group, and through its subsidiaries engages in the provision of stock broking, commodity trading, money lending, corporate finance advisory and investment management advisory services and proprietary trading.

Both Ms. Huang and Mr. Chuang are active investors in the securities markets. With the PRC having announced its economic policy in enhancing domestic consumption to supplement any shortfall in export, Ms. Huang is attracted by the prospects of the retail industry in the PRC. She believes that the Company’s apparel retailing business will benefit from the economic driving factors in the PRC including rapid economic growth, urbanisation and increasing household expenditure and disposable income. A professional management team, namely Mr. Ho Tak Fun, Josef, Mr. King, Phillip and Mr. Chiu Siu Po, being the proposed Directors, has been identified for nomination to the Board and together with the retained key executives of the Group, the Investor believes that the Group should be managed by professionals, and the Company’s business operations and future developments will benefit from the background, relevant knowledge and experience of the management.

As at the Latest Practicable Date, neither Ms. Huang nor Mr. Chuang has held any directorship in Hong Kong listed companies in the past three years. Both of Ms. Huang and Mr. Chuang confirmed that, other than their respective role in the Investor as set out in this circular, neither of them had or planned to have any role in the Company.

Mr. Chuang and Ms. Huang are not related to Mr. Kwok Wing and his family members or Forefront. There is no agreement, arrangement or understanding (including any compensation arrangement) existing between the Investor, its sole director, its ultimate beneficial owner and parties acting in concert with any of them and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Restructuring Agreement, the Supplemental Restructuring Side Letter, the Second Supplemental Restructuring Side Letter, the Investor Subscription Agreement and the Supplemental Investor Subscription Agreement.

As at the Latest Practicable Date, neither the Company nor any of the Directors held any shares, warrants, options, convertible securities and derivatives in respect of the shares of the Investor nor have they dealt for value in the shares or other relevant securities of the Investor in the six months period immediately prior to the date of the RA Announcement and up to the Latest Practicable Date.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

INTENTION OF THE INVESTOR

The Group has experienced significant write-down of investments in its manufacturing plants in the PRC and Cambodia. Given the Group's disastrous experience in running manufacturing businesses in the immediate past, the Investor would not want to intrude into the manufacturing sector for the time being, and would like to adopt outsourcing as the current strategy and focus on the retail operation of "XXEZZ" in the PRC. If suitable investment opportunities arise for vertical integration, the Investor may revitalise its apparel manufacturing business.

With a mainline in casual wear, the Investor will also consider the viability of providing new lines of accessories, e.g. watches, belts, bags, etc., by the Group to enhance and diversify the product coverage of the XXEZZ brand. With an adjusted product mix and more marketing promotions, the Investor intends to rebuild the brand image of XXEZZ and enhance the brand recognition by the customers. These, however, have not been factored into the profit forecast of the Group for the 30 month period ending 31 March 2013 as contained in Appendix VI to this circular as the Investor intends to conduct further research on the market and analyse the situation before so deciding.

With ample working capital available to the Group upon Completion and with the experienced top management team on board, the Investor plans to set up new self-operating stores, engage new authorised retailers, boost shop floor area, increase marketing expenses, organise more trade fairs, adopt a more effective cost control scheme in order to ride on the economic recovery in the PRC and boost the revenue and profit of the Group.

The Investor intends to use reasonable efforts to retain the six key executive as mentioned in the section headlined "Principal strengths of XXEZZ" above. These six key executives have an average of no less than nine years of experience in the garment industry and an average of no less than four years of experience with the XXEZZ brand.

The Investor confirms that:

- (i) there is no agreement, arrangement or understanding that it will transfer, charge or pledge any of the Investor Convertible Bonds and the Conversion Shares upon the exercise of the Investor Convertible Bonds, which it will acquire pursuant to the Supplemental Investor Subscription Agreement, to any other persons;
- (ii) it has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business of the Group, nor does it have any intention to inject its assets into the Group;
- (iii) as at the date of this circular, it has no plan to sell its interests in the Company (whether Shares or Investor Convertible Bonds, except for the purpose of maintaining the public float requirement under the Listing Rules) for the first six months following the date of the resumption of trading in the New Shares and, in the event that its shareholding is more than 30% during the second six months following the date of the resumption of

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

trading in the New Shares, it will maintain at least 30% shareholding in the Company for the second six months following the date of the resumption of trading in the New Shares; and

- (iv) the profit forecast of the Group for the 30 month period ending 31 March 2013 as contained in Appendix VI to this circular has been made after due and care enquiry.

As at the date of this circular, there was no negotiation, agreement, intention or plan relating to (i) conducting any business other than retailing/manufacturing of apparel and accessories; and/or (ii) selling its interests in the Company.

The Investor does not have any plans to discontinue or change the Group's existing business activities, the employment of the employees, nor management and senior management of the Group.

It is the intention of the Investor to maintain the listing status of the Shares on the Stock Exchange after the Open Offer becomes unconditional.

Ms. Huang and Mr. Chuang individually undertake that, as at the date of this circular:

- (i) she/he has no plan to cause the Group to conduct business other than retailing/manufacturing of apparel and accessories for the one year following the date of the resumption of trading in the New Shares; and
- (ii) she/he has no plan to sell any of her/his interests in the Company (whether Shares or Investor Convertible Bonds, except for the purpose of maintaining the public float requirement under the Listing Rules) for the first six months following the date of the resumption of trading in the New Shares and, in the event that their shareholding, either individually or in aggregate, is more than 30% during the second six months following the date of the resumption of trading in the New Shares, she/he will maintain at least 30% shareholding in the Company for the second six months following the date of the resumption of trading in the New Shares.

PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES

In the New EGM, an ordinary resolution, as set out in the notice of the New EGM of the Company, will be proposed for the Shareholders to consider and, if thought fit, to grant the Issue Mandate to the Directors to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue at Closing, that is 1,522,273,478 New Shares. In addition, a separate ordinary resolution will further be proposed for extending the Issue Mandate authorising the Directors to allot, issue and deal with Shares to the extent of the Shares repurchased pursuant to the Repurchase Mandate. Details on the Repurchase Mandate are further elaborated below.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The Issue Mandate (including the extended Issue Mandate) to issue shares will remain in effect until the earliest of (i) the conclusion of the next annual general meeting of the Company after the Closing has taken place; (ii) the expiration of the period within which the next annual general meeting of the Company after the Closing has taken place is required by the Memorandum and Articles of Association or any applicable law to be held; and (iii) the revocation or variation of the authority given under the ordinary resolution of the Shareholders in a general meeting.

PROPOSED GENERAL MANDATE TO REPURCHASE NEW SHARES

In the New EGM, an ordinary resolution, as set out in the notice of New EGM of the Company, will be proposed for the Shareholders to consider and, if thought fit, to grant the Repurchase Mandate to the Directors to enable them to repurchase New Shares subject to the criteria set out in this circular. Shareholders should note that the maximum number of New Shares that may be repurchased will be 10% of the New Shares of the Company in issue immediately after closing on the Closing Date. An explanatory statement containing all relevant information relating to the Repurchase Mandate and as required pursuant to the Listing Rules is set out in Appendix I to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution relating to the Repurchase Mandate.

CONTINUED SUSPENSION OF TRADING IN THE SHARES OF THE COMPANY

The transactions contemplated under the Restructuring Agreement, Supplemental Investor Subscription Agreement, Supplemental Creditors Subscription Agreement and the Supplemental Underwriting Agreement are subject to the fulfillment of a number of conditions precedent and therefore may or may not materialise.

Trading in the shares of the Company has been suspended at the request of the Company since 9:30 a.m. on 30 July 2008 and will remain suspended until further notice. Until satisfaction of all the Resumption Conditions set by the Listing Division, trading in the shares will continue to be suspended. The release of this circular does not indicate that the trading in the Shares will be resumed and that the listing approval for the New Shares and/or the Conversion Shares will be granted.

Due to the different scenarios in relation to the despatch of the new share certificates pursuant to the Capital Reorganisation, the Open Offer and the Share Consolidation as set out in section headed "Posting of new share certificates of the New Shares" above, the Shareholders shall pay high attention to the arrangements contained herein and in any future announcement(s) of the Company.

NEW EGM

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok, and Mr. Kooi Tock Chian, has been formed to advise the Independent Shareholders in respect of the Open Offer.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

The New EGM will be convened for the purpose of approving the Open Offer, the issue of Convertible Bonds, the Share Consolidation and other transactions contemplated in the Restructuring Agreement and all these resolutions shall be voted by way of poll.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer is made conditional on approval by the Independent Shareholders, that is any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolutions in respect of the Open Offer. As at the Latest Practicable Date, Mr. Kwok Wing, who was neither interested nor involved in the Restructuring Agreement, is a controlling Shareholder holding approximately 34.46% and therefore Mr. Kwok Wing and his associate are required to abstain from voting in favour of the resolution in respect of the Open Offer in the New EGM.

The Interested Shareholders, namely QVT and Quintessence, holding an aggregate of 108,726 Recognised Shares representing approximately 0.05% of existing issued share capital of the Company, who are interested in the transactions contemplated under the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement), therefore the Interested Shareholders shall abstain from voting for the resolutions in respect of the transactions contemplated under the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement). Except for the Interested Shareholders, there are no Shareholders having an interest (otherwise than solely as a Shareholder) in or involved in the transactions contemplated under the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement), therefore no other Shareholder is required to abstain from voting for the resolutions in respect of the transactions contemplated under the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) in the New EGM.

A form of proxy for the New EGM is enclosed with this circular. Whether or not you are able to attend the New EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the New EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in the New EGM or any adjournment of it if you so wish.

An announcement will be made by the Company after the New EGM on the results of the New EGM pursuant to Rule 13.39(5) of the Listing Rules.

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

RECOMMENDATION

The Board believes that the terms of the Share Consolidation, the Issue Mandate and the Repurchase Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the relevant resolutions to be proposed in the New EGM in relation to the Share Consolidation, the Issue Mandate (including the extended Issue Mandate) and the Repurchase Mandate.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement). ICAL has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

You are advised to read carefully the letters from the Independent Board Committee and ICAL set out on pages 89 to 90 and 91 to 101 of this circular respectively. The Independent Board Committee, having taken into account the advice of ICAL, considers the terms of the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer and the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the proposed resolutions approving the Open Offer and the Restructuring Agreement (including the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) in the New EGM.

Shareholders should note that the despatch of this circular does not indicate that the Shares will resume trading and that the listing approval will be granted. The Shares may be delisted in the event that the Company fails to satisfy all the Resumption Conditions by 15 September 2011, being the deadline stipulated by the Stock Exchange. Shareholders and investors are advised to exercise caution when dealing in the Shares.

As disclosed in the Previous Circular and detailed in section headed "Debt restructuring" above in this circular, Ever Century, a direct wholly-owned subsidiary of the Company, holds directly and indirectly the entire issued share capital of all the remaining subsidiary companies in the Group. The Company operates its principal business through Ever Century and its subsidiaries. However, the transfer of the Ever Century Shares back to the Company is subject to the terms of the Settlement Deed. Pursuant to the Settlement Deed (as supplemented on 9 April 2010 and 18 May 2011), if the restructuring of the Company is not completed by 3 April 2012, there is a possibility that the Share Charge over the Ever Century Shares will be exercised and the ownership of Ever Century and its subsidiaries will be transferred to certain creditors. As such, the Company will no longer have any operations sufficient for maintaining a listing status on the Stock Exchange. Therefore, there is a possibility that the Company will be placed into liquidation and the Shareholders will receive nothing.

Although the Company is now in the first stage of the delisting procedures under Practice Note

LETTER FROM THE PROVISIONAL LIQUIDATORS/BOARD

17 to the Listing Rules, which is not the last stage of the delisting procedures, the Shareholders should take note that there is no certainty that the Company can secure a new investor who is capable of submitting a resumption proposal to the satisfaction of the Stock Exchange. Shareholders should also note that the Investor was the only successful bid that the Provisional Liquidators received following the publication of a public notice by the Provisional Liquidators in 2008 which was not rejected by the Creditors.

As at the Latest Practicable Date, there were 221,260,680 Reorganised Shares (adjusted for the Capital Reorganisation) in issue. As set out in the Previous Circular and the Voting Results Announcement, (i) Mr. Kwok Wing, being the controlling Shareholder interested in 76,242,400 Reorganised Shares (as adjusted for the Capital Reorganisation), and his associates abstained from voting in favour of the resolution in respect of the Open Offer; and (ii) the Interested Shareholders, QVT and Quintessence, being interested (other than solely being a Shareholder) in the Restructuring Agreement (including the Investor Subscription Agreement and the Creditors Subscription Agreement), with an aggregate of 108,726 Reorganised Shares (as adjusted for the Capital Reorganisation), and parties acting in concert with any of them abstained from voting for the resolutions in respect of the entering into the Restructuring Agreement, the issue of the Convertible Bonds, the Open Offer, and the relevant resolutions in relation to the Takeovers Code. However, as announced by the Company on 15 September 2010 in the Voting Results Announcement, only 52,468,965 Reorganised Shares (as adjusted for the Capital Reorganisation), representing (i) about 36.21% of the 144,909,554 Reorganised Shares (as adjusted for the Capital Reorganisation) eligible to vote on the resolution in respect of the Open Offer were voted in person or by proxy at the Previous EGM; and (ii) about 23.73% of the 221,151,954 Reorganised Shares (as adjusted for the Capital Reorganisation) eligible to vote, for the resolutions in relation to the entering into of the Restructuring Agreement, the issue of the Convertible Bonds, and the relevant resolutions in relation to the Takeovers Code, were voted in person or by proxy at the Previous EGM. The Provisional Liquidators are of the view that the low turnout rate of the Independent Shareholders at the Previous EGM might have affected the results of the voting. **THE PROVISIONAL LIQUIDATORS AND DIRECTORS URGE THE SHAREHOLDERS TO EXERCISE THEIR SHAREHOLDERS' RIGHTS TO PARTICIPATE IN THE VOTING OF THE RESOLUTIONS TO BE PROPOSED AT THE NEW EGM.**

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the letter from the Independent Board Committee, the letter from ICAL and the appendices to this circular.

Yours sincerely,

For and on behalf of
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
FOK Hei Yu
Roderick John Sutton
Joint and Several Provisional Liquidators
acting as agents without personal liability

By order of the Board
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
Choong Khuat Leok
Independent Non-executive Director
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement).



TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)

28 June 2011

To the Independent Shareholders

Dear Sir or Madam,

**RESTRUCTURING OF TACK FAT GROUP INTERNATIONAL LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA,
(A) PROPOSED OPEN OFFER ON THE BASIS OF 339 OFFER SHARES
FOR EVERY 5 REORGANISED SHARES HELD ON RECORD DATE;
(B) PROPOSED ISSUE OF INVESTOR CONVERTIBLE BONDS; AND
(C) PROPOSED ISSUE OF CREDITORS CONVERTIBLE BONDS**

We refer to the circular of the Company dated 28 June 2011 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise you as to whether the terms of the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. ICAL has been appointed as the independent financial advisor to advise you and us in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal reasons and factors considered by, and the advice of, ICAL as set out in its letter of advice to you and us on pages 91 to 101 of the Circular, we are of the opinion that the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the New EGM to approve the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement). A notice of the New EGM is set out on pages 140 to 146 of this circular.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Pau Chin Hung, Andy

Choong Khuat Leok

Kooi Tock Chian

Independent Non-executive Directors

LETTER FROM ICAL

The following is the full text of the letter of advice from ICAL to the Independent Board Committee and the Independent Shareholders in relation to the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) for the purpose of incorporation in this circular.



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Fax/傳真: (852) 2501 0171
www.investec.com

28 June 2011

*To: The Independent Board Committee
and the Independent Shareholders of
Tack Fat Group International Limited (Provisional Liquidators Appointed)*

Dear Sirs,

**RESTRUCTURING OF TACK FAT GROUP INTERNATIONAL LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA,
(A) PROPOSED OPEN OFFER ON THE BASIS OF 339 OFFER SHARES FOR
EVERY 5 REORGANISED SHARES HELD ON
THE OPEN OFFER RECORD DATE;
(B) PROPOSED ISSUE OF INVESTOR CONVERTIBLE BONDS;
(C) PROPOSED ISSUE OF CREDITORS CONVERTIBLE BONDS**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Restructuring Agreement and the transactions contemplated thereunder (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement, details of which are contained in the “Letter from the Provisional Liquidators/Board” of the circular to the Shareholders dated 28 June 2011 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 27 May 2011, (i) the Provisional Liquidators, the Investor and the Escrow Agent entered into the Second Supplemental Restructuring Letter; (ii) the Company, the Provisional Liquidators and the Investor entered into the Supplemental Investor Subscription Agreement; and (iii) the Company, the Provisional Liquidators, New Profit and Key Winner entered into the Supplemental Creditors Subscription Agreement. On 27 June 2011, the Company and the Underwriter entered into the Supplemental Underwriting Agreement. Details of the terms of these agreements are set out in the “Letter from the Provisional Liquidators/Board” in the Circular.

LETTER FROM ICAL

Since the Open Offer would increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this circular, the Open Offer is conditional on the approval by the Independent Shareholders by way of poll in the New EGM, where the controlling Shareholder and his associates are required to abstain from voting in favour of the Open Offer. As at the Latest Practicable Date, Mr. Kwok Wing and his associates held 76,242,400 Reorganised Shares representing 34.46% of the issued share capital of the Company. Accordingly, Mr. Kwok Wing and his associates shall abstain from voting in favour of the proposed resolution approving the Open Offer in the New EGM.

As at the Latest Practicable Date, there were two Creditors, namely QVT and Quintessence (the Interested Shareholders), who are also Shareholders and in aggregate interested in approximately 0.05% of issued share capital of the Company. As these Interested Shareholders are interested in the Restructuring Agreement, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement, they will abstain from voting in favour of the resolutions approving the Restructuring Agreement, the Supplemental Creditors Subscription Agreement and the Supplemental Investor Agreement in the New EGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of one non-executive Director, Mr. James D. McMullen and three independent non-executive Directors, Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian.

The Independent Board Committee, consisting of all independent non-executive Directors, namely Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok, and Mr. Kooi Tock Chian, was formed to advise the Independent Shareholders as to whether the terms of the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders.

III. BASIS AND ASSUMPTIONS

In formulating our opinion, we have relied solely upon the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Provisional Liquidators. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Provisional Liquidators for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the

LETTER FROM ICAL

Provisional Liquidators contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Provisional Liquidators that no material facts have been omitted from the information provided and referred to in the Circular. We have not participated in the selection process of the restructuring proposals and we are therefore not in the position to comment on such process or the terms of any other proposals.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have not, however, conducted an independent verification of the information provided, nor have we carried out an in-depth investigation into the affairs of the Group or the prospects of the markets in which the Group operates.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Restructuring Agreement, we have taken into account, *inter alia*, the following principal factors and reasons:

A. Background

In the Previous EGM, all of the resolutions in relation to the restructuring of the Company, except for the appointment of the new Directors upon Closing, as set out in the Previous Circular were voted down by the Independent Shareholders voted in person or by proxy.

However, the Provisional Liquidators still believe that the restructuring of the Company is in the interest of all the Shareholders and it was announced by the Company on 20 October 2010 that the Investor had indicated an intention to make a new proposal for the restructuring of the Company. Following lengthy discussion among the Provisional Liquidators and the Investor, the New Proposal was arrived at which the Provisional Liquidators consider it a rescue of the Company.

The principal elements of the New Proposal are materially the same as the Previous Proposal as described in the Previous Circular that there will be the Open Offer and the issue of the Convertible Bonds with the same terms. The Restructuring Agreement (as amended by the Supplemental Restructuring Side Letter) has been further amended by the Second Supplemental Restructuring Side Letter, pursuant to which, it is agreed, *inter alia*, that the Investor will no longer sub-underwrite the Open Offer. The Open Offer will be sub-underwritten by six sub-underwriters. Except for one sub-underwriter being a fellow subsidiary of the Underwriter, all the other sub-underwriters are independent third parties. In addition, there will be a Share Consolidation pursuant to Rule 13.64 of the Listing Rules.

B. Information of the Company

The main business activity of the Group is the retailing of garment in the PRC. According to the interim results announced by the Company for the six months period ended 30 September 2010, the Group had a turnover of approximately HK\$22.8 million (same period in 2009: approximately HK\$21.4 million). The Group's gross profit increased to approximately HK\$10.0

LETTER FROM ICAL

million (same period in 2009: approximately HK\$8.5 million). However, due to substantial increase in administrative and other operating expenses which increased to approximately HK\$74.0 million (same period in 2009: approximately HK\$5.7 million), loss from operations was recorded at approximately HK\$81.4 million (same period in 2009: loss of approximately HK\$20.3 million). Administrative and other operating expenses mainly comprised of provision for bank loan guarantees for subsidiary amounted to approximately HK\$59.7 million (same period in 2009: Nil). After the finance cost of approximately HK\$17.8 million (same period in 2009: approximately HK\$5.8 million), loss for the period attributable to the Shareholders amounted to approximately HK\$98.7 million (same period in 2009: loss of approximately HK\$23.8 million).

C. Restructuring Agreement

The Restructuring Agreement involves, inter alia, the Open Offer, the issue of Investor Convertible Bonds, the issue of Creditors Convertible Bonds and the Share Consolidation.

1. Open Offer

a. Terms of the Open Offer

Pursuant to the Restructuring Agreement, the Company agreed to raise approximately HK\$150 million before expenses, by way of the Open Offer of 15,001,474,104 Offer Shares at the Subscription Price of HK\$0.01 per Offer Share on the basis of 339 Offer Shares for every five Reorganised Shares held by the Qualifying Shareholders on the Open Offer Record Date and payable in full on application. The Offer Shares will have a nominal amount of approximately HK\$150 million in aggregate. The Offer Shares to be issued under the Open Offer will represent approximately 98.55% of the issued share capital of the Company as enlarged by the issue of the Offer Shares.

Pursuant to the Second Supplemental Restructuring Side Letter, there is no material change to the terms of the Open Offer as set out in the Previous Circular, other than the change of the timetable due to delay, the underwriting arrangements and the Share Consolidation.

b. The Subscription Price

The Subscription Price of HK\$0.01 per Offer Share represents:

- (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.0 per Reorganized Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.40 per Old Share as quoted on the Stock Exchange on the Last Trading Date;

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- (ii) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per Reorganized Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.446 per Old Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;
- (iii) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per Reorganized Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.479 per Old Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per Reorganised Share of approximately HK\$5.86 as at 31 March 2010 (based on the Company's audited consolidated net liabilities of approximately HK\$1,297 million at 31 March 2010 and 221,260,680 Reorganised Shares in issue as at the Latest Practicable Date).

According to the Provisional Liquidators, the Subscription Price was determined after arm's length negotiations between the Company and the Investor. In determining the Subscription Price, the Company and the Investor have taken into consideration, among other things, the Suspension and the audited consolidated net liabilities per Reorganized Share of approximately HK\$5.86 as at 31 March 2010 based on the Company's audited consolidated net liabilities of approximately HK\$1,297 million as set out in the Company's published audited financial statements for the year ended 31 March 2010 and 221,260,680 Reorganised Shares in issue.

As the terms of different restructuring proposals are subject to various factors such as nature of business and the specific state of affairs of each of the companies concerned as well as the seriousness of the financial and operational problems, we do not consider that it is meaningful to assess the fairness and reasonableness of the terms of the Open Offer by making reference to those of other companies with restructuring proposals.

c. Fractions of Offer Shares

Fractional entitlements to Offer Shares will not be issued but will be aggregated and taken up by the Underwriter. If a Qualifying Shareholder holds 13 Reorganised Shares as at the Open Offer Record Date, he/she/it will be entitled to subscribe for 881 Offer Shares on a pro-rata basis.

Since the Share Consolidation is proposed to be implemented after the Open Offer and fractional New Shares will be disregarded and not issued to the Shareholders after completion of the Share Consolidation, Shareholders shall

LETTER FROM ICAL

bear in mind that every ten Reorganised Shares (aggregating the Reorganised Shares then held and the Offer Shares subscribed for) on the effective date for the Share Consolidation will then be consolidated into one New Share under the Share Consolidation. Following completion of the Open Offer, the single-digit of the number of Reorganised Shares held by a Shareholder will therefore be disregarded when the Share Consolidation becomes effective. Shareholders shall take this into account when they submit their subscription forms such that total number of Reorganised Shares held after completion of the Open Offer but before Share Consolidation will be a multiple of ten. An example for the subscription of the Offer Shares was set out in the section headed "Proposed Open Offer" in the "Letter from the Provisional Liquidators/Board" in the Circular.

d. Underwriting arrangement

On 27 June 2011, the Company and the Underwriter entered into the Supplemental Underwriting Agreement to supersede the Underwriting Agreement. Pursuant to the Supplemental Underwriting Agreement, the Underwriter has conditionally agreed to fully subscribe or procure subscriber(s) to subscribe for the Untaken Shares. The conditions and termination clauses of the Supplemental Underwriting Agreement and obligations of the Underwriter are set out in the subsection headed "Underwriting Arrangement" in the "Letter from the Provisional Liquidators/Board" in the Circular. The Underwriter, save for being the financial advisor to the Company, is an independent third party of the Company or any of the Directors, chief executive, substantial Shareholders or any of their respective associates. The maximum number of Untaken Shares underwritten by the Underwriter is 15,001,474,104 Offer Shares. The Company will pay, pursuant to the Underwriting Agreement, 2.75% of the aggregate Subscription Price for the Offer Shares to the Underwriter as underwriting commission.

e. Sub-underwriting arrangement

The Sub-underwriting Letter has lapsed. The Investor has decided not to subscribe for or sub-underwrite any Untaken Shares arising from the Open Offer.

The Underwriter has entered into six Sub-underwriting Agreements with six sub-underwriters, each of them will underwrite a maximum of 15,001,474,104 Untaken Shares. Each of them will sub-underwrite such number of Untaken Shares which will not result in any of the sub-underwriters holding 10% or more of the issued share capital of the Company as enlarged by the Open Offer. Apart from up to 761,040,000 Untaken Shares, representing approximately 5% of the enlarged share capital of the Company upon the completion of Open Offer and the Share Consolidation but before any conversion of the Convertible Bonds, underwritten by a fellow subsidiary of the Underwriter, each of the sub-underwriters is a third party independent of the Company or any of the Directors, chief executive, substantial Shareholders of the Company or any of their respective associates.

LETTER FROM ICAL

f. Reasons for the Open Offer and use of proceeds

The gross proceeds from the Open Offer is approximately HK\$150 million and the net proceeds from the Open Offer after deducting for expenses is estimated to be approximately HK\$146 million which will be used as general working capital and cash buffer for any adverse business conditions and/or hidden costs that the Company might not be fully aware of.

In view of the potential dilution effect of the interests of the Shareholders due to the issue of Investor Convertible Bonds and the Creditors Convertible Bonds, the Open Offer is an opportunity for the Shareholders to participate in the growth of the Group.

g. Our views

Given the fact that the Shares were suspended from trading for more than two years, we consider that the closing price of the Old Shares prior to the suspension of trading is not reflective of the current financial condition and value of the Company and will not provide a fair basis for the evaluation of the Subscription Price. In view of (i) the Company's current net liabilities position; (ii) the Company cannot issue new Shares below the par value of HK\$0.01 each; and (iii) completion of the Open Offer is one of the conditions precedent of the Restructuring Agreement, we concur with the Provisional Liquidators that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

2. *Investor Convertible Bonds*

The Company, the Provisional Liquidators and the Investor entered into the Supplemental Investor Subscription Agreement on 27 May 2011 to supersede the Investor Subscription Agreement and to provide for the adjustment effect to the Conversion Price due to the Share Consolidation.

a. Terms of the Investor Convertible Bonds

Pursuant to the Second Supplemental Restructuring Side Letter and the Supplemental Investor Subscription Agreement, there is no material change to the terms of the Investor Convertible Bonds as set out in the Previous Circular. The principal terms of the Investor Convertible Bonds are set out in the "Letter from the Provisional Liquidators/Board" in this Circular.

For the same reasons as set out in the paragraph headed "Open Offer" above, we do not consider that it is meaningful to assess the fairness and reasonableness of the terms of the Investor Convertible Bonds by making reference to those of other companies with restructuring proposals.

LETTER FROM ICAL

Pursuant to the Supplemental Investor Subscription Agreement, the Investor Convertible Bonds shall be convertible into New Shares at a conversion price of HK\$0.01 per Reorganised Share or HK\$0.10 per New Share (subject to adjustment of the Share Consolidation). According to the “Letter from the Provisional Liquidators/ Board”, the Conversion Price was determined on arm’s length negotiations between the Company and the Investor in view of the prolonged suspension of trading of the Shares and the net liabilities position of the Company as at 31 March 2010.

The conversion price of the Investors Convertible Bonds represents a discount of approximately 99.75% to the theoretical closing price of HK\$40.0 per New Share as adjusted for the effect of both the Capital Reorganisation and the Share Consolidation based on the closing price of the Old Shares of HK\$0.40 per share before suspension of its trading. It is also equal to the par value of the New Share and the conversion price of the Creditors Convertible Bonds. Given that the Shares had been suspended for more than two years, we consider that the closing price of the Old Shares prior to the suspension of trading is not reflective of the current financial condition and value of the Company. Furthermore, in view of the net liabilities of the Company, we are of the view that the closing price of the Old Shares prior to the suspension of trading will not provide a fair basis for the evaluation of the Conversion Price.

b. Reasons for the Investor Convertible Bonds and use of proceeds

The Company will receive gross proceeds from the subscription of the Investor Convertible Bonds of no less than HK\$59 million from the Investor, after setting off the Working Capital Loan of HK\$10 million provided by the Investor to the Company under the Exclusivity and Escrow Agreement and fees and costs of HK\$16 million incurred by the Company in negotiation, documentation and implementation of the restructuring of the Group and an amount up to HK\$15 million drawn down from the Revolving Facility. According to the Provisional Liquidators, a sum of HK\$50 million out of the subscription money of the Investor Convertible Bonds will be made available to the Scheme Administrators for the benefit of the Scheme Creditors and New Profit for the benefit of the New Profit Stakeholders respectively in the proportion of five to two. The remaining no less than HK\$9 million of the proceeds will be applied towards the working capital requirements of the Group.

c. Our views

Given the issue of the Investor Convertible Bonds is one of the conditions precedent of the Restructuring Agreement and the proceeds of which will provide working capital of the Company and our analysis of the possible dilution effects on the shareholdings of public Shareholders as set out in the paragraph headed “Possible dilution effect of the Open Offer, the Investors Convertible Bonds, the Creditors Convertible Bonds on the shareholdings of public Shareholders” below,

LETTER FROM ICAL

we consider that the terms of the Investor Convertible Bonds are fair and reasonable and the Supplemental Investor Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

3. *Creditors Convertible Bonds*

The Company, the Provisional Liquidators, New Profit and Key Winner entered into the Supplemental Creditors Subscription Agreement on 27 May 2011 to supersede the Creditors Subscription Agreement and to provide for the adjustment effect of the Conversion Price due to the Share Consolidation.

a. Terms of Creditors Convertible Bonds

Pursuant to the Second Supplemental Restructuring Side Letter and the Supplemental Creditors Subscription Agreement, there is no material change to the terms of the Creditors Convertible Bonds as set out in the Previous Circular. The principal terms of the Creditors Subscription Agreement and the Creditors Convertible Bonds are set out in the “Letter from the Provisional Liquidators/ Board” in the Circular.

b. Reasons for the Creditors Convertible Bonds

As part of the Schemes and the debt restructuring, the Company will issue and the Scheme Creditors and New Profit (for the benefit of the New Profit Stakeholders) will receive the Creditors Convertible Bonds as settlement of part of the debts owed by the Company. The Company will not receive cash from issuance of the Creditors Convertible Bonds. The Company considers that the Schemes and the debt restructuring is the only viable way to compromise, discharge and settlement of all Claims against the Company and is of the view that the terms of the Supplemental Creditors Subscription Agreement are fair and reasonable and in the interest of the Company, the Shareholders and the Creditors as a whole.

The Company will not receive any money from the subscription of the Creditors Convertible Bonds. The Company does not expect any expenses to incur in relation to the issue of the Creditors Convertible Bonds.

c. Our views

The Conversion Price for the Creditors Convertible Bonds is the same as the Investor Convertible Bonds, i.e. HK\$0.01 for each Reorganised Share or HK\$0.10 for each New Share (as adjusted for the Share Consolidation). Based on our opinion on the conversion price of the Investor Convertible Bonds as above, we are of the view that the closing price of the Old Shares prior to the suspension of trading will not provide a fair basis for the evaluation of the Conversion Price.

LETTER FROM ICAL

By issuing the Creditors Convertible Bonds for the settlement of part of the debts owed to the Scheme Creditors, other than the interest at 2% per annum i.e. HK\$400,000 to be payable at maturity, if none of the Creditors Convertible Bonds are converted, the cash position of the Company will not be adversely affected. Given this and the issue of the Creditors Convertible Bonds is part of the debt restructuring, we consider that the terms of the Creditors Convertible Bonds are fair and reasonable and the Supplemental Creditors Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

4. *Possible dilution effect of the Open Offer, the Investors Convertible Bonds and the Creditors Convertible Bonds on the shareholdings of public Shareholders*

As set out in the paragraph headed “Shareholding structures of the Company” in the “Letter from the Provisional Liquidators/Board” in the Circular, if none of the Shareholders takes up the Offer Shares, upon completion of the Open Offer and full conversion of the Investor Convertible Bonds and the Creditor Convertible Bonds, the shareholdings of existing public Shareholders will be diluted from approximately 65.5% as at the Latest Practicable Date to approximately 0.6%. There will be no change in shareholding structure upon the Share Consolidation.

In light of the facts that (i) the issue of the Investor Convertible Bonds and the Creditors Convertible Bonds and the completion of the Open Offer are part of the conditions precedent of the Restructuring Agreement; (ii) the issue of the Investor Convertible Bonds and the Creditors Convertible Bonds are parts of the debt restructuring under the Schemes; (iii) while the issue of Investor Convertible Bonds will provide working capital for the Company, there will not be any immediate dilution effects on the shareholdings of public Shareholders; (iv) the Investor Convertible Bonds will not be entitled to interest and thus will not increase the interest burden of the Company; and (v) the Open offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so and provides an equal opportunity among the Qualifying Shareholders to participate in the future growth and development of the Company, although the shareholding interests of those Qualifying Shareholders who do not take up their entitlements under the Open Offer will be diluted, we consider that the possible dilution effect of the Investor Convertible Bonds, Creditors Convertible Bonds and Open Offer is acceptable.

5. *Possible financial effects of the Open Offer, the Investors Convertible Bonds and the Creditors Convertible Bonds*

Based on the unaudited pro forma statement of financial position of the Group as set out in Appendix IV to the Circular, upon Closing and as compared to the unaudited consolidated balance sheet of the Group as at 30 September 2010, the Group’s total liabilities will be reduced by approximately HK\$1,317.1 million to approximately HK\$113.6 million.

LETTER FROM ICAL

With the proceeds from the subscription of the Investor Convertible Bonds, Open Offer and after setting off the restructuring cost and claims of the Creditors and New Profit Stakeholders, the Group's cash and cash equivalents will be increased to approximately HK\$130.1 million. Total assets of the Group will be increased by approximately HK\$144.2 million to approximately HK\$192.2 million. The Group's net liabilities position as at 30 September 2010 of approximately HK\$1,382.8 million will be improved to a net asset position of approximately HK\$78.5 million. The debt ratio of the Group (being the ratio of total liabilities to total assets) will be improved to 0.59 time as compared to 29.8 times as at 30 September 2010.

V. RECOMMENDATION

If the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) is successfully implemented, the Shares may resume trading. This will provide an opportunity for an open market to the Shareholders to realize, should they wish so, part or all of their investments in the Company.

Having considered the abovementioned principal factors and reasons and that there will unlikely be any return to the Shareholders if the Company is put into liquidation should the Restructuring Agreement lapses and given its net liabilities position, we consider that terms of the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Restructuring Agreement is in the interests of the Company and the Independent Shareholders as a whole. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolutions in relation to the Restructuring Agreement (including the Open Offer, the Supplemental Investor Subscription Agreement and the Supplemental Creditors Subscription Agreement) to be proposed at the New EGM.

When Shareholders subscribe for the Offer Shares, they are reminded to pay attention to the sub-paragraph headed "Fractions of Offer Shares" in this letter as under the Share Consolidation which will become effective following completion of the Open Offer, fractional New Shares will be disregarded and not issued to the Shareholders.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Executive Director

APPENDIX I EXPLANATORY STATEMENT ON REPURCHASE MANDATE

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors at the New EGM.

1. SHARE CAPITAL

Upon Closing, the authorised share capital of the Company will be HK\$500,000,000 comprising 5,000,000,000 New Shares, of which 1,522,273,478 New Shares are to be in issue.

Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no Reorganised Shares are issued or repurchased by the Company prior to the New EGM, the Company will be allowed under the Repurchase Mandate to repurchase up to a maximum of 152,227,347 New Shares after Closing.

2. REASONS FOR THE REPURCHASE

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

3. FUNDING OF REPURCHASES

Pursuant to the Repurchase Mandate, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 31 March 2010, being the date of its latest audited consolidated financial statements. However, the Directors do not intend to make any repurchases to such an extent as would, in circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

Trading in the Shares has been suspended since 30 July 2008. The theoretical closing price immediately before Suspension was HK\$40 per New Share which is based on the closing price of HK\$0.40 per Old Share as quoted on the Stock Exchange as adjusted for the effect of the Capital Reorganisation and Share Consolidation and therefore the closing price prior to the date of this circular and the Latest Practicable Date.

5. TAKEOVERS CODE

If a Shareholder’s proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert 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.

The following table shows the shareholding structure before and after the Repurchase Mandate is fully exercised and assuming all the existing Shareholders take up their respective entitlements under the Open Offer and there is no conversion of the Convertible Bonds.

Name of substantial Shareholders	At the Latest Practicable Date <i>(Note 1)</i>		After the Repurchase Mandate is exercised in full <i>(Note 4)</i>	
	Number of Reorganised Shares held	percentage of existing shareholding	Number of the New Shares held	Approximate percentage of shareholding
Kwok Wing and Kwok Chiu	76,242,400 <i>(Note 2)</i>	34.46%	524,547,712	38.29%
Sansar Capital Management, LLC <i>(Note 3)</i>	43,463,600	19.64%	299,029,568	21.83%
Citigroup Inc.	31,536,840	14.25%	216,973,459	15.84%

Notes:

1. These are the shareholding interests of the substantial Shareholders (within the meaning of the Listing Rules), as the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as are known to, or can be ascertained after reasonable enquiry by Provisional Liquidators and the Directors.
2. These share were held as to 65,280,000 shares by Efulfilment Enterprises Limited and as to 10,962,400 shares by Sharp Asset Holdings Limited. Mr. Kwok Wing beneficially owns 50% of the issued share capital of Efulfilment Enterprises Limited and 100% of the issued share capital of Sharp Asset Holdings Limited. Mr. Kwok Chiu beneficially owns 50% of the issued share capital of Efulfilment Enterprises Limited.
3. These interests include the shares held by Sansar Capital Master Fund, LP and Sansar Capital Special Opportunity Master Fund, LP.
4. As stated in the “Letter from the Provisional Liquidators/Board” in this circular, if all the existing Shareholders take up their respective entitlements under the Open Offer and there is no conversion of the Convertible Bonds, their respective shareholding will remain unchanged. The respective numbers of the New Shares upon the Share Consolidation held by the relevant substantial Shareholders following completion of the Open Offer are listed above. The exercise of the Repurchase Mandate will cause a change of the shareholdings.

APPENDIX I EXPLANATORY STATEMENT ON REPURCHASE MANDATE

As listed above, if the Company fully exercises the Repurchase Mandate, Mr. Kwok Wing and parties acting in concert with him will hold approximately 38.29%, which will cause Mr. Kwok Wing and parties acting in concert with him to trigger a general offer obligation under the Takeovers Code. The Company will make sure that if such situation happens, the Company and Mr. Kwok Wing and parties acting in concert with him will comply with relevant regulations of the Listing Rules and Takeovers Code.

Save as aforesaid, the Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

6. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) during the six months preceding the date of this circular.

7. GENERAL

None of the Directors or their associates has any present intention to sell to the Company or its subsidiaries any of the New Shares if the Repurchase Mandate is approved at the New EGM and exercised.

No connected person of the Company has notified the Company that he has a present intention to sell to the Company or its subsidiaries New Shares nor has any such connected person undertaken not to do so in the event that the Repurchase Mandate is granted.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, including the maintenance of the public float requirement of the Listing Rules, as well as the applicable laws of the Cayman Islands.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 March 2010 and the six months ended 30 September 2010, details of which were extracted from the annual reports of the Company for each of the years ended 31 March 2010, 2009 and 2008 and the interim report of the Company for the six months ended 30 September 2010 respectively.

The financial statements for the years ended 31 March 2010 and 2009 were audited by Hopkins CPA Limited. The financial statements for the year ended 31 March 2008 were audited by NCN CPA Limited (now known as Pan-China (H.K.) CPA Limited). Qualified opinions were issued by the auditors of the Company in relation to each of the financial years.

For each of the three years ended 31 March 2010 and the six months ended 30 September 2010, there was no exceptional or extraordinary item and no dividend was declared or paid.

Results of the Group

	For the year ended 31 March			For the six months ended
	2010	2009	2008	30 September 2010
	HK\$'000	HK\$'000	(Restated) HK\$'000	HK\$'000
Turnover	55,648	107,684	259,175	22,788
Costs of sales	<u>(37,846)</u>	<u>(71,909)</u>	<u>(123,601)</u>	<u>(12,782)</u>
Gross profit	17,802	35,775	135,574	10,006
Other revenue	47,101	249,546	10,917	1,386
Distribution costs	(43,368)	(77,235)	(99,583)	(18,793)
Administrative and other operating expenses	<u>(15,367)</u>	<u>(231,880)</u>	<u>(2,683,194)</u>	<u>(73,974)</u>
Loss from operations	6,168	(23,794)	(2,636,286)	(81,375)
Finance costs	<u>(63,135)</u>	<u>(13,521)</u>	<u>(17,527)</u>	<u>(17,759)</u>
Loss before taxation	(56,967)	(37,315)	(2,653,813)	(99,134)
Tax	<u>(1,954)</u>	<u>(49,815)</u>	<u>(3,946)</u>	<u>–</u>
Loss for the year	<u><u>(58,921)</u></u>	<u><u>(87,130)</u></u>	<u><u>(2,657,759)</u></u>	<u><u>(99,134)</u></u>
Attributable to:				
Equity holders of the Company	(59,239)	(97,162)	(2,660,962)	(98,652)
Minority interests	<u>318</u>	<u>10,032</u>	<u>3,203</u>	<u>(482)</u>
Loss for the year	<u><u>(58,921)</u></u>	<u><u>(87,130)</u></u>	<u><u>(2,657,759)</u></u>	<u><u>(99,134)</u></u>
Basic loss per share	<u><u>(2.68 cents)</u></u>	<u><u>(4.41 cents)</u></u>	<u><u>(124.52 cents)</u></u>	<u><u>(4.45 cents)</u></u>

Financial position of the Group

	As at 31 March		As at	
	2010	2009	2008	30 September
			(Restated)	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities				
Non-current assets	3,282	6,503	8,484	2,606
Current assets	<u>49,142</u>	<u>59,684</u>	<u>57,593</u>	<u>45,376</u>
Total assets	52,424	66,187	66,077	47,982
Current liabilities	(1,349,070)	(1,317,001)	(915,532)	(1,430,786)
Non-current liabilities	<u>-</u>	<u>-</u>	<u>(119,396)</u>	<u>-</u>
Total liabilities	(1,349,070)	(1,317,001)	(1,034,928)	(1,430,786)
Equity attributable to equity holders of the Company	<u>(1,296,646)</u>	<u>(1,250,814)</u>	<u>(968,851)</u>	<u>(1,382,804)</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2010

The audited consolidated financial statements and the independent auditors' reports of the Group for the three years ended 31 March 2008, 2009 and 2010 could be found in the annual reports published on the website of the Stock Exchange (<http://www.hkexnews.hk>) with title "Annual Report 2008" dated 4 August 2009 (<http://www.hkexnews.hk/listedco/listconews/sehk/20090804/LTN200908041287.pdf>) from pages 14 to 59, "Annual Report 2009" dated 19 November 2009 (<http://www.hkexnews.hk/listedco/listconews/sehk/20091119/LTN20091119259.pdf>) from pages 15 to 55, and "Annual Report 2010" dated 6 July 2010 (<http://www.hkexnews.hk/listedco/listconews/sehk/20100706/LTN20100706517.pdf>) from pages 15 to 69, respectively. The unaudited consolidated financial statements of the Group for the six months ended 30 September 2010 could be found in the interim report published on the website of the Stock Exchange with title "Interim Report 2010" dated 30 December 2010 (<http://www.hkexnews.hk/listco/sehk/20101230/LTN20101230097.pdf>).

3. FINANCIAL AND TRADING PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon (i) the successful implementation of the Restructuring Agreement; and (ii) the resumption of trading in the shares on the Stock Exchange. The Investor and the Provisional Liquidators anticipate all existing liabilities owed to the creditors whose claims are dealt under the Schemes and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes.

Since 31 March 2010, being the date of the latest published audited accounts of the Company, with the strong and continuous support provided by the Investor to the Group in terms of both business and financial aspects, the Group has been and will be able to sustain its retail business at a sufficient level in upcoming financial years after the resumption of trading in the shares of the Company on the Stock Exchange.

1. INDEBTEDNESS

As the close of business on 31 May 2011, being the latest practicable date for the purposes of this statement of indebtedness, the Group had in aggregate outstanding borrowings of approximately HK\$1,234.33 million, which comprised of secured loan of approximately HK\$164.50 million.

Save as aforesaid and apart from intra-group liabilities, none of the entities of the Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 May 2011.

2. WORKING CAPITAL

The Investor, the Provisional Liquidators, the Directors and the proposed Directors are of the opinion that, with the net proceeds from the Open Offer and the subscription of the Investor Convertible Bonds, the Group will have sufficient working capital for the twelve months from the date of this circular and from the date of resumption of trading in the shares of the Company.

3. MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, the Provisional Liquidators and the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group were made up.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF
THE GROUP AS AT 30 SEPTEMBER 2010****A. Introduction to the Unaudited Pro Forma Statement of Financial Position of the Group**

The following is the unaudited pro forma statement of financial position of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed restructuring of the Group pursuant to the Restructuring Agreement, involving the Capital Reorganisation, the Open Offer, the Supplemental Investor Subscription Agreement, the Supplemental Creditors Subscription Agreement, the Schemes, the New Profit Agreement and the Share Consolidation.

The unaudited pro forma statement of financial position of the Group is based on the audited consolidated statement of financial position of the Group as at 30 September 2010 as extracted from the latest published interim report of the Company for the six months ended 30 September 2010 as referenced in Appendix II to this circular, as if the Closing had taken place on 30 September 2010.

The unaudited pro forma statement of financial position of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma statement of financial position of the Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the Closing actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma statement of financial position of the Group does not purport to predict the Group's future financial position.

The unaudited pro forma statement of financial position of the Group should be read in conjunction with the financial information of the Group as set out in Appendix II, "Financial Information of the Group", and other financial information included elsewhere in this circular.

B. Unaudited Pro Forma Statement of Financial Position

	Unaudited consolidated statement of financial position of the Group as at 30 September 2010 (HK\$'000)	Pro forma adjustments									Unaudited pro forma consolidated statement of financial position of the Group (HK\$'000)
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Non-current assets											
Property, plant and equipment	2,606	-	-	-	-	-	-	-	-	-	2,606
	<u>2,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,606</u>
Current assets											
Inventories	5,785	-	-	-	-	-	-	-	-	-	5,785
Trade and other receivables	32,395	-	-	-	-	-	-	-	-	-	32,395
Escrow fund	1,489	-	-	4,800	15,000	-	-	-	-	-	21,289
Cash and cash equivalents	5,707	-	150,015	-	-	100,000	(41,000)	(50,000)	-	(34,631)	130,091
	<u>45,376</u>	<u>-</u>	<u>150,015</u>	<u>4,800</u>	<u>15,000</u>	<u>100,000</u>	<u>(41,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(34,631)</u>	<u>189,560</u>
Current liabilities											
Trade and other payables	(79,722)	-	-	-	-	-	-	37,289	(1,078)	39,033	(4,478)
Provision for bank loan guarantee for subsidiaries	(917,873)	-	-	-	-	-	-	917,873	-	-	-
Other borrowings	(52,390)	-	-	-	-	-	-	52,390	-	-	-
Convertible bonds	(121,557)	-	-	-	-	-	-	121,557	-	-	-
Loan from the Investor	(21,200)	-	-	(4,800)	(15,000)	-	41,000	-	-	-	-
Amount due to deconsolidated subsidiaries	(235,398)	-	-	-	-	-	-	235,398	-	-	-
Tax payable	(2,646)	-	-	-	-	-	-	-	1,078	-	(1,568)
Creditors Convertible Bonds	-	-	-	-	-	-	-	(19,382)	-	-	(19,382)
	<u>(1,430,786)</u>	<u>-</u>	<u>-</u>	<u>(4,800)</u>	<u>(15,000)</u>	<u>-</u>	<u>41,000</u>	<u>1,345,125</u>	<u>-</u>	<u>39,033</u>	<u>(25,428)</u>
Net current (liabilities)/assets	<u>(1,385,410)</u>	<u>-</u>	<u>150,015</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>1,295,125</u>	<u>-</u>	<u>4,402</u>	<u>164,132</u>
Total assets less current liabilities	<u>(1,382,804)</u>	<u>-</u>	<u>150,015</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>1,295,125</u>	<u>-</u>	<u>4,402</u>	<u>166,738</u>
Non-current liabilities											
Investor Convertible Bonds	-	-	-	-	-	(85,770)	-	-	-	-	(85,770)
Deferred Tax Liability – Investor Convertible Bonds	-	-	-	-	-	(2,348)	-	-	-	-	(2,348)
Deferred Tax Liability – Creditors Convertible Bonds	-	-	-	-	-	-	-	(102)	-	-	(102)
Net (liabilities)/assets	<u>(1,382,804)</u>	<u>-</u>	<u>150,015</u>	<u>-</u>	<u>-</u>	<u>11,882</u>	<u>-</u>	<u>1,295,023</u>	<u>-</u>	<u>4,402</u>	<u>78,518</u>
Shareholders' equity											
Share capital	221,261	(219,088)	150,015	-	-	-	-	-	-	-	152,188
(Deficiency)/Reserves	(1,647,761)	219,088	-	-	-	11,882	-	1,295,023	-	4,402	(117,366)
Equity attributable to equity shareholders	<u>(1,426,500)</u>	<u>-</u>	<u>150,015</u>	<u>-</u>	<u>-</u>	<u>11,882</u>	<u>-</u>	<u>1,295,023</u>	<u>-</u>	<u>4,402</u>	<u>34,822</u>
Non-controlling interests	43,696	-	-	-	-	-	-	-	-	-	43,696
Total (deficiency)/equity	<u>(1,382,804)</u>	<u>-</u>	<u>150,015</u>	<u>-</u>	<u>-</u>	<u>11,882</u>	<u>-</u>	<u>1,295,023</u>	<u>-</u>	<u>4,402</u>	<u>78,518</u>

1. This adjustment reflects the financial effect of the Capital Reorganisation that approximately HK\$219 million unissued share capital is cancelled and ten adjusted shares is consolidated into one Reorganised Share and the par value of each share of the Company will be reduced from HK\$0.10 to HK\$0.01.
2. This adjustment reflects the financial effect of the issue of 15,001,474,104 Offer Shares with a par value of HK\$0.01 each, which will result in the increase in the issued share capital of approximately HK\$150 million.
3. This adjustment reflects the financial effect of the last installment fees and costs in the amount of HK\$4.8 million to be provided by the Investor to the Company for the implementation of the restructuring of the Group upon Closing.
4. This adjustment reflects the entering into the Revolving Facility by the Investor, the Provisional Liquidators and the Escrow Agent on 8 November 2010 (and supplemented on 17 May 2011) pursuant to which the Investor consented to make available to the Company a revolving facility in an aggregate amount of HK\$15 million for the retail operation of the Company in the PRC.
5. This adjustment reflects the issuance of the Investor Convertible Bonds of HK\$100 million, with a tenure of 3 years and no interest. Pursuant to HKAS 32 and 39, approximately HK\$2.35 million, HK\$85.77 million and HK\$11.88 million of the Investor Convertible Bonds are recognised as deferred tax liability, liability and equity respectively.
6. This adjustment reflects a total of HK\$41 million, comprising the working capital loan of HK\$10 million, which was provided by the Investor to the Company under the Exclusivity and Escrow Agreement, the fees and costs of HK\$16 million incurred by the Company in negotiation, documentation and implementation of the restructuring of the Group, and the HK\$15 million expected to be utilized under the Revolving Facility, which are to be offset from the subscription money for the Investor Convertible Bonds.
7. This adjustment reflects the financial effect of the settlement with the Creditors and the New Profit Stakeholders by the Cash Consideration of HK\$50 million and the issuance of Creditors Convertible Bonds with a principal amount of HK\$20 million with a tenure of 1 year and an interest rate of 2% per annum. Pursuant to HKAS 32 and 39, approximately HK\$19.38 million, HK\$102,000 and HK\$516,000 of the HK\$20 million Creditors Convertible Bonds are recognised as liability, deferred tax liability and equity respectively.

Pursuant to the Schemes, all the liabilities of the Company, including the amount of other payables of approximately HK\$37.29 million, the Group's bank loan guarantee of approximately HK\$917.87 million, the other borrowings of approximately HK\$52.39 million, the existing convertible bonds of approximately HK\$121.56 million, and the amount due to the deconsolidated subsidiaries of approximately HK\$229 million, will be discharged under the Schemes. The remaining amount due to the deconsolidated subsidiaries of approximately HK\$6.39 million was incurred by New Profit Luo Ding in the ordinary course of business and therefore will not be discharged under the Schemes or settled under the New Profit Agreement. This amount will be settled as described in Note 9 below.

8. This adjustment reflects the reclassification of value-added tax of a total amount of approximately HK\$1.08 million as at 30 September 2010 from tax payable to trade and other payables.
9. Before Closing, all business of New Profit Luo Ding will have been migrated to Newco and New Profit Luo Ding will be detached from the Group. As a result, amount due to the deconsolidated subsidiaries by the Group will be increased by to approximately HK\$9.6 million.

Pursuant to the group reorganisation and business transfer from New Profit Luo Ding to Newco, Newco will acquire the XXEZZ Assets from New Profit Luo Ding at the carrying amount, which was of approximately HK\$25.03 million as at 30 September 2010.

In summary, the amount due to New Profit Luo Ding will be approximately HK\$34.6 million, which will be settled by the Group utilizing the subscription money raised from the Open Offer.

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE GROUP**To the Provisional Liquidators of Tack Fat Group International Limited (Provisional Liquidators Appointed)**

We report on the unaudited pro forma financial information of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the Provisional Liquidators, the Directors and the proposed Directors for illustrative purposes only, to provide information about how the proposed restructuring of the Company involving, inter alia, capital reorganisation, open offer of new shares, debt restructuring and issue of convertible bonds, might have affected the financial information presented, for inclusion in Appendix II to the circular of the Company dated 28 June 2011 (the "Circular"). The basis of preparation of the unaudited pro forma statement of financial position is set out on pages 109 to 111 to the Circular.

Respective responsibilities of the Provisional Liquidators, the Directors and the proposed Directors of the Company and Reporting Accountants

It is the responsibility solely of the Provisional Liquidators, the Directors and the proposed Directors of the Company to prepare the unaudited pro forma statement of financial position in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of financial position beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial position with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of financial position with the Provisional Liquidators, the Directors and the proposed Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of financial position has been properly compiled by the Provisional Liquidators, the Directors and the proposed Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of financial position as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of financial position is for illustration purpose only, based on the judgments and assumptions of the Provisional Liquidators, the Directors and the proposed Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2010 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma statement of financial position has been properly compiled by the Provisional Liquidators, the Directors and the proposed Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of financial position as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Hopkins CPA Limited

Certified Public Accountants

Albert Man-Sum Lam

Practising Certificate Number – P02080

Hong Kong

(A) PROFIT ESTIMATE AND FORECAST

Estimated consolidated loss attributable to equity holders of the Company for the year ended 31 March 2011 (<i>Note 1</i>)	Not less than HK\$37.02 million
Unaudited estimated loss per Reorganised Share for the year ended 31 March 2011 (<i>Note 2</i>)	Not less than HK\$0.1673
Forecast consolidated profit attributable to equity holders of the Company for the year ending 31 March 2012 (<i>Note 3</i>)	Not less than HK\$1,287.7 million
Unaudited pro forma forecast earnings per New Share for the year ending 31 March 2012 (<i>Note 4</i>)	Not less than HK\$0.4730
Forecast consolidated profit attributable to equity holders of the Company for the year ending 31 March 2013 (<i>Note 3</i>)	Not less than HK\$16.1 million
Unaudited pro forma forecast earnings per New Share for the year ending 31 March 2013 (<i>Note 4</i>)	Note less than HK\$0.0059

Notes:

1. The profit forecast for the year ended 31 March 2011 is prepared based on the management accounts of the Group for the period from 1 April 2010 to 31 December 2010 and the forecast performance for the period from 1 January 2011 to 31 March 2011 referring to the bases and assumptions summarized in the section below. The estimated operational loss before the restructuring cost and any exceptional items incurred in the financial year of 2011 is approximately HK\$32.03 million. The estimated loss for 2011 is mainly due to limited working capital for the Group to expand its operations and business and to account for the effect due to the deferral in implementation of the expansion plan of self-operating stores and authorised retailers as the expected date of the Closing and resumption of trading in the Shares will be in August 2011.
2. The calculation of unaudited estimated earnings per Reorganised Share for the year ended 31 March 2011 is based on the estimated consolidated profit attributable to equity holders of the Company in 2011 and on the basis that 221,260,680 Reorganised Shares in issue as at the date of this circular. Due to the Share Consolidation of ten Reorganised Shares into one New Share, the unaudited estimated loss per New Share for the year ended 31 March 2011 would be ten times of that of loss per Reorganised Share.
3. The bases and assumptions on which the above consolidated profit forecast for the year ending 31 March 2012 and 2013 have been prepared are summarised in the section below.

Should the effects of the Schemes, the New Profit Agreement, the restructuring cost and the group reorganisation in respect of New Profit Luo Ding not be taken into account, the forecast consolidated loss attributable to equity holders of the Company for the year ending 31 March 2012 will then be approximately HK\$2.63 million. As the expected date of the Closing and resumption of the trading in the Shares will be in August 2011, the Company will only have revitalized working capital for about six months out of the year ending 31 March 2012. The business and product planning cycle for the retail business normally lasts several months and months before the sales can be recorded, expenses are normally incurred in various business activities such as product design, sampling, procurement for manufacturing, engaging/disengaging shops and sales staff, etc. Therefore, the profit forecast for the year ending 31 March 2012 does not reflect a full business and product planning cycle and hence the profit generating ability for the financial year 2012.

During the year ending 31 March 2013 and thereafter, the Company is expected to be operating in normal business and operating conditions.

4. The calculation of unaudited pro forma forecast earnings per New Share for each of the two years ending 31 March 2013 is based on the forecast consolidated profit attributable to equity holders of the Company in the relevant year and on the basis that 2,722,273,478 New Shares to be issued upon the allotment of the Offer Shares, the Share Consolidation, the issue of the relevant New Shares and the full conversion of the Convertible Bonds.

The calculation takes no account of any New Shares which may fall to be issued upon the exercise of the share option scheme of the Company or any New Shares which may be allotted and issued or repurchased by the Company pursuant to the Issue Mandate and Repurchase Mandate as described in the sections headed "Proposed General Mandate to Issue New Shares" and "Proposed General Mandate to Repurchase Shares in the "Letter from the Provisional Liquidators/Board".

(B) BASES AND ASSUMPTIONS

1. The Directors (and proposed Directors) have prepared the forecast consolidated profit attributable to equity holders of the Company for each of the 30 months ending 31 March 2013 based on the unaudited consolidated accounts of the Group for the six months ended 30 September 2010. The profit forecast for the year ended 31 March 2011 is prepared based on the management accounts of the Group for the period from 1 April 2010 to 31 December 2010 and the forecast performance for the period from 1 January 2011 to 31 March 2011 referring to the bases and assumptions summarized in the section below. The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group as set out in the audited annual report of the Company for the year ended 31 March 2010.
2. There will be no material changes in the industry practice and market condition and Group's operations including but not limited to its supplies and procurement, store operations, human resources and cost control and management.
3. There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC or Hong Kong in which the Group currently operates or which are otherwise material to the Group's business.
4. There will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations.
5. There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations. Conversion of RMB to HK\$ is based on the approximate exchange rate of RMB0.85 to HK\$1.00 throughout the forecast period.

6. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates.
7. There will be no other unforeseen circumstances, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents, beyond the control of the Group which will have a material adverse effect on the results of operations of the Group.
8. Given the series of events required for completion of the restructuring of the Company, the trading in the New Shares is expected to be resumed in or around August 2011 in this forecast.
9. It is assumed that revenue of the same store sales of the self-operating stores for the year ended 31 March 2011 will be comparable to the revenue for the year ended 31 March 2010. The revenue will then grow at 10% for the two years ending 31 March 2013.
10. As the Group will have sufficient working capital upon Closing, the management plans to open 42 new stores for the year ending 31 March 2012, which will include nine retail outlets and 33 store counters in department stores occupying a total size of approximately 2,370 square meters. There is no plan to open self-operating for the year ended 31 March 2013. There is no immediate plan to shut down any self-operating stores in the financial years of 2012 and 2013.
11. All the authorised retailers will remain with the Group during the forecast period and the remaining authorised retailers will have an annual growth rate of 10% during the forecast period.
12. As the Closing is expected to take place in August 2011 and franchisee confidence would have been established, an average of five and two new franchisees would join the Group in each month during the financial years ending 31 March 2012 and 2013 respectively. There will be 55 new authorised retailers in the financial year ending 31 March 2012 and 24 in the financial year ending 31 March 2013. This will result in a total of 79 new authorised retailers by the end of the forecast period.

13. After Closing, the Group will be in a better position to bargain with the existing and potential suppliers as they gradually regain their confidence in the Group's ongoing future business prospect. Therefore, the level of cost of sales will eventually be reduced to a normal level, i.e. similar to that prior to 2008.

The Group will also enhance its brand name and product ranges during the forecast period after the Closing. Therefore, the gross profit margin will be increased to industry norm for both existing and new stores commencing in October 2011 for the remaining six months of the financial year of 2012 and the whole financial year of 2013.

14. Due to the assets transfer to Newco from New Profit Luo Ding, as disclosed in Note 9 to Part C in Appendix IV "Unaudited Pro Forma Statement of Financial Position of the Group", a total amount of approximately HK\$4.40 million will be recorded in gain on restructuring for the year ending 31 March 2012.
15. Under the Schemes and the New Profit Agreement, the Group is expected to record an accounting gain of approximately HK\$1,288.63 million for the year ended 31 March 2012 as disclosed in Note 7 to Part C in Appendix IV "Unaudited Pro Forma Statement of Financial Position of the Group".

LETTERS

1. Letter from the Reporting Accountant on the Profit Forecast

The following is the text of a letter received from Hopkins CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

28 June 2011

Mr. Fok Hei Yu and Mr. Roderick John Sutton
Joint and Several Provisional Liquidators
Tack Fat Group International Limited (Provisional Liquidators Appointed)
14th Floor, The Hong Kong Club Building
3A Chater Road, Central
Hong Kong

Dear Sirs,

We have performed the procedures agreed with the joint and several provisional liquidators (without personal liabilities) of the Company (the “**Provisional Liquidators**”) and the directors (including the proposed directors) of the Company (the “**Directors**”) and stated below with respect to the consolidated profit forecast of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the 30 month period ending 31 March 2013 (the “**Profit Forecast**”) which is in accordance with the specific requirement in the Resumption Conditions and is set out in the Appendix VI “Profit Forecast for the Period Ending 31 March 2013” in the circular of the Company dated 28 June 2011 (the “**Circular**”). The Profit Forecast, for which the Provisional Liquidators and the Directors are solely responsible, has been prepared by the Provisional Liquidators and the Directors based on the consolidated unaudited accounts for the six months ended 30 September 2010 and a forecast of the consolidated results of the Group for the 30 month period ending 31 March 2013.

Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” and adopting the same procedures under Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as follows:

- a) Checked whether the Profit Forecast under review was based on forecasts regularly prepared for the purpose of management purposes, or whether it has been separately and specifically prepared for immediate purpose;
- b) Checked whether the Profit Forecast was regularly prepared for management purposes, the degree of accuracy and reliability previously achieved, and the frequency and thoroughness with which estimates were revised;
- c) Checked whether the Profit Forecast represented the management’s best estimate of results which they reasonably believed can and will be achieved as distinct from targets which the management had set as desirable;

- d) Checked the extent to which the Profit Forecast results for expired periods are supported by reliable interim accounts;
- e) Reviewed the details of procedures followed to generate the Profit Forecast and the extent to which it was built up from detailed Profit Forecast of activity and cash flow;
- f) Reviewed the extent to which profits were derived from activities having a proven and consistent trend and those of a more irregular, volatile or unproven nature;
- g) Checked how the Profit Forecast took account of any material extraordinary items and prior year adjustments, their nature, and how they were presented;
- h) Checked whether adequate provision was made for foreseeable losses and contingencies and how the Profit Forecast took account of factors which may cause it to be subject to a high degree of risk, or which may invalidate the assumptions;
- i) Checked whether working capital appears adequate for requirements; normally this would require the availability of properly prepared cashflow forecasts; and where short-term or long-term finance is to be relied on, whether the necessary arrangements have been made and confirmed;
- j) Checked whether the forecasts have been prepared and presented on acceptable bases consistent with the accounting principles and practices adopted by the Company in previous years, and if not, whether the fact and effects of any material change of basis were made clear; and
- k) Checked the arithmetical accuracy of the Profit Forecast and the supporting information and whether forecast balance sheets and statements of changes in financial position have been prepared – these help to highlight arithmetical inaccuracies and inconsistent assumptions.

Based on information and documents made available to us and so far as the calculations and accounting policies are concerned, in our opinion, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Provisional Liquidators and the Directors as set forth in part (B) of Appendix VI to the Circular, and is prepared on a basis consistent in all material respects with the accounting policies adopted by the Group in the latest published audited accounts of the Company for the year ended 31 March 2010.

Yours faithfully,

Hopkins CPA Limited
Certified Public Accountants

Albert Man-Sum Lam

Practising Certificate Number – P02080

Hong Kong

2. Letter from the Financial Advisor

The following is the text of a letter, prepared for inclusion in this circular, received by the Provisional Liquidators/Board from Asian Capital (Corporate Finance) Limited in connection with the consolidated profit forecast of the Company and its subsidiaries for the 30 month period ending 31 March 2013.

28 June 2011

The Provisional Liquidators/Board

Tack Fat Group International Limited (Provisional Liquidators Appointed)

14/F, The Hong Kong Club Building

3A Chater Road, Central

Hong Kong

Dear Sirs,

We refer to the consolidated profit forecast of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the “**Company**”) and its subsidiaries (collectively as the “**Group**”) for the 30 month period ending 31 March 2013 (the “**Profit Forecast**”) as set out in the Appendix VI “Profit Forecast For the 30 month Period Ending 31 March 2013” in the circular of the Company dated 28 June 2011 (the “**Circular**”).

The Profit Forecast, for which the provisional liquidators (without personal liabilities) of the Company (the “**Provisional Liquidators**”) and the directors (including the proposed directors) of the Company (the “**Directors**”) are solely responsible, has been prepared based on the consolidated unaudited accounts for the six months ended 30 September 2010 and a forecast of the consolidated results of the Group for the 30 month period ending 31 March 2013.

We have discussed with you the bases and assumptions, as set forth in part (B) of Appendix VI to the Circular, upon which the Profit Forecast has been made. We have also considered the letter dated 28 June 2011 addressed to yourselves from Hopkins CPA Limited regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and in the absence of unforeseeable circumstances, the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Hopkins CPA Limited, we are of the opinion that the Profit Forecast, for which the Provisional Liquidators and the Directors are solely responsible, has been made after due care and consideration.

Yours faithfully,

For and on behalf of

Asian Capital (Corporate Finance) Limited

Larry Chan

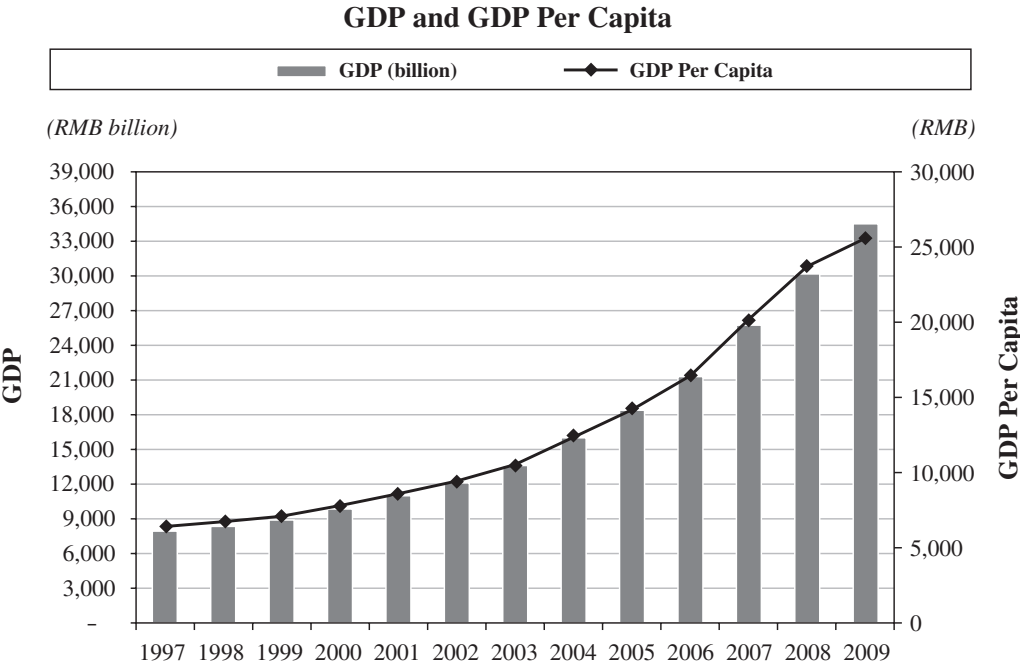
Executive Director

INDUSTRY OVERVIEW

The Group is principally engaged in apparel retailing business in the PRC. The performance of the PRC apparel retailing industry is primarily driven by the growth of the PRC economy, and among others, the increase in living expenditures and disposable income in the PRC population, as well as market acceptance of the designs of the apparels. In particular, the Group offers a diversified range of casual wear products. The rapid economic growth, urbanisation and increase of living expenditures, disposable income and changing consumption pattern can be compelling fundamental stimulates for the growth of the apparel industry.

The Domestic Economy

The overall PRC economy has shown a sustained growth over the past two decades. The PRC reported a gross domestic product (GDP) of approximately RMB34,346 billion in 2009, representing a compound annual growth rage (CAGR) of 13.1% for the 13 years spanning from 1997 to 2009, with figures obtained from the National Bureau of Statistics. The following diagram shows the GDP and the GDP per capita in the PRC from 1997 to 2009:

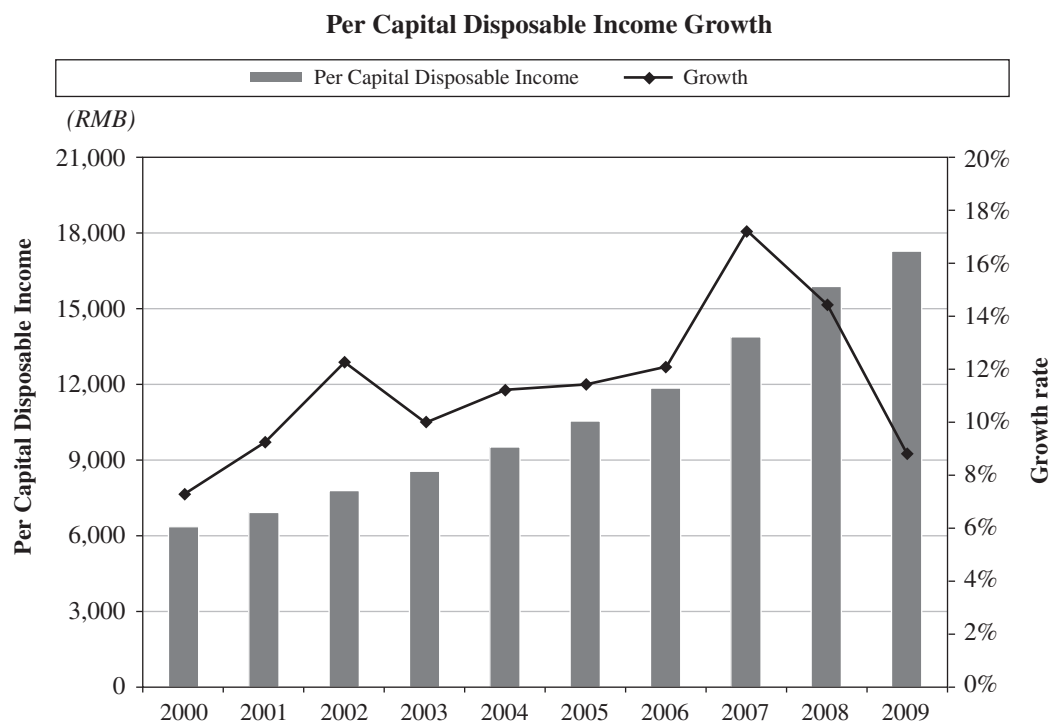


Source: National Bureau of Statistics of China

According to the statistics provided by the National Bureau of Statistics of China, with over 1.33 billion people in 2010, the PRC is the most populated country in the world. This also laid a foundation for the PRC’s large consumer market, and there has been an accompanying increase in consumer purchasing power.

Accelerating Urbanisation Trend

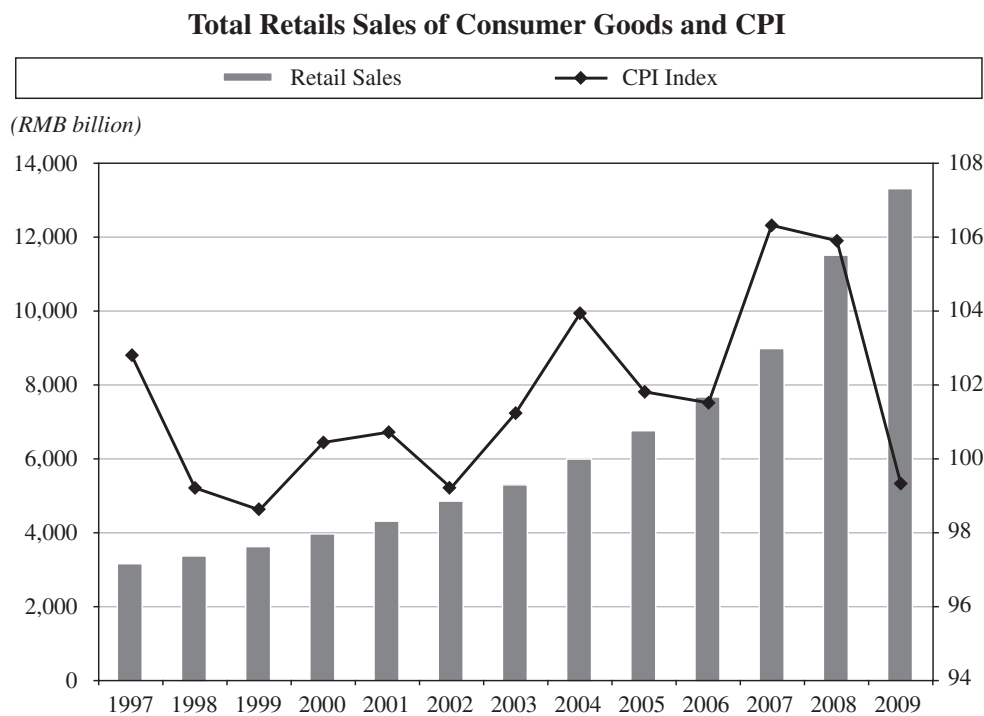
Urbanisation has accelerated in the PRC as a result of the country's rapid economic growth. Populations in large urban cities have increased with the influx of people from rural areas and less developed towns. During the period between 2000 and 2009, the total urban population in the PRC increased by approximately 162.8 million or approximately 35.5%. In 2009, the total urban population was approximately 622 million and accounted for around 46.6% of the total population. The following chart sets forth the urban population and urbanisation rate in the PRC for 2000 to 2009.



Source: National Bureau of Statistics of China

The Domestic Consumption and Inflation

In 2009, the domestic economy delivered record high overall retail sales. According to the National Bureau of Statistics of China, the total retail sales of consumer goods reached RMB13,268 billion in 2009. This figure represents a year-on-year growth of 15.5%. The following diagram illustrates the total retail sales of consumer goods and the consumer price index (CPI) in the PRC from 1997 to 2009:

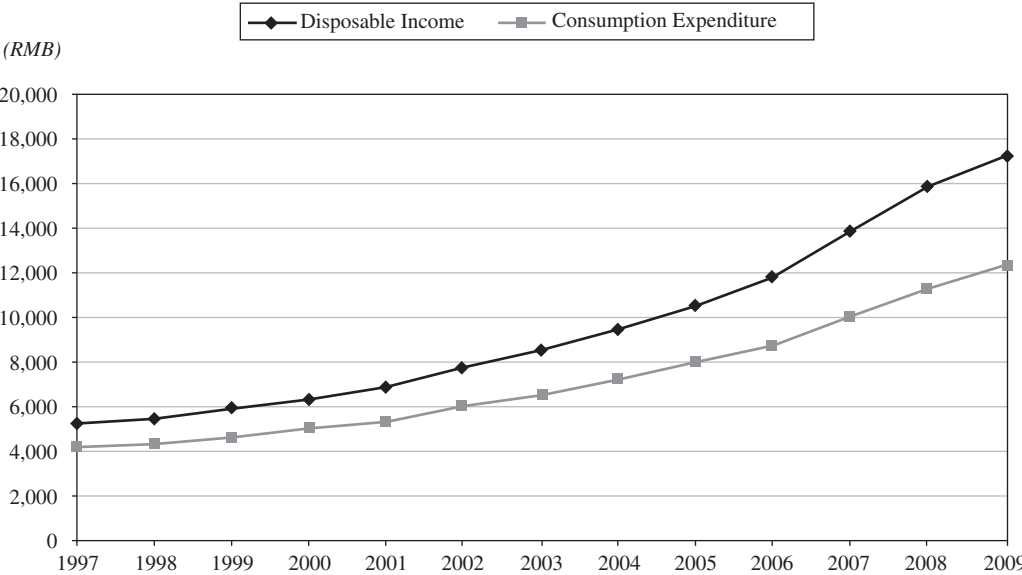


Source: National Bureau of Statistics of China

Living Expenditures and Disposable Income

According to the National Bureau of Statistics of China, the per capita annual disposal income of urban households in the PRC reached RMB17,175 in 2009, representing a CAGR of 10.54% for the 13 years spanning from 1997 to 2009. The per capita annual consumption expenditures of urban households in the PRC has increased from RMB4,186 in 1997 to RMB12,265 in 2009, representing a CAGR of 9.37%. Over the period between 1997 and 2009, the difference between per capital urban annual disposable income and consumption expenditures of urban households was enlarging. The increased earnings mostly flowed to savings accounts or were reinvested. The chart below illustrates the growth trend of (i) per capita annual disposable income of urban households; and (ii) per capita annual consumption expenditures of urban households in the PRC from 1997 to 2009:

Per Capita Urban Disposable Income and Consumption Expenditure

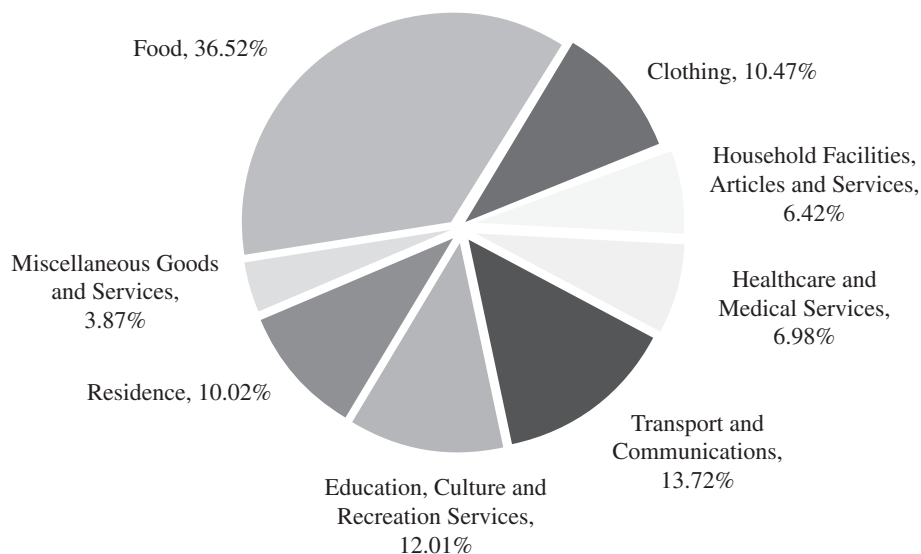


Source: National Bureau of Statistics of China

The Consumption Pattern

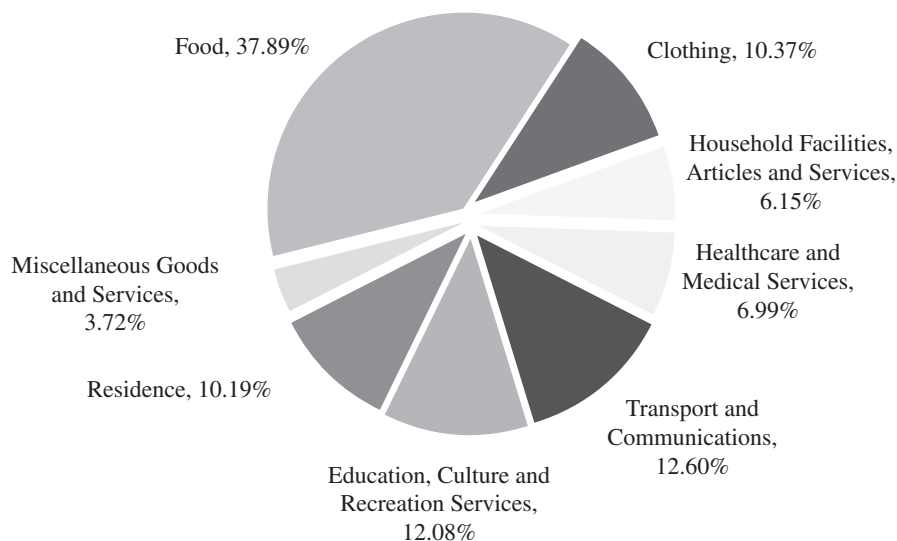
The following two pie charts compare the expenditure breakdown of per capita annual living expenditure of urban households in 2009 and 2008 respectively. Being one of the basic necessities, urban citizen spent more disposable income on clothing in 2009, which accounted for 10.47% of total annual living expenditures, an approximately 0.1 percentage point rise yearly.

Per Capita Annual Living Expenditure of Urban Households (2009)



Source: National Bureau of Statistics of China

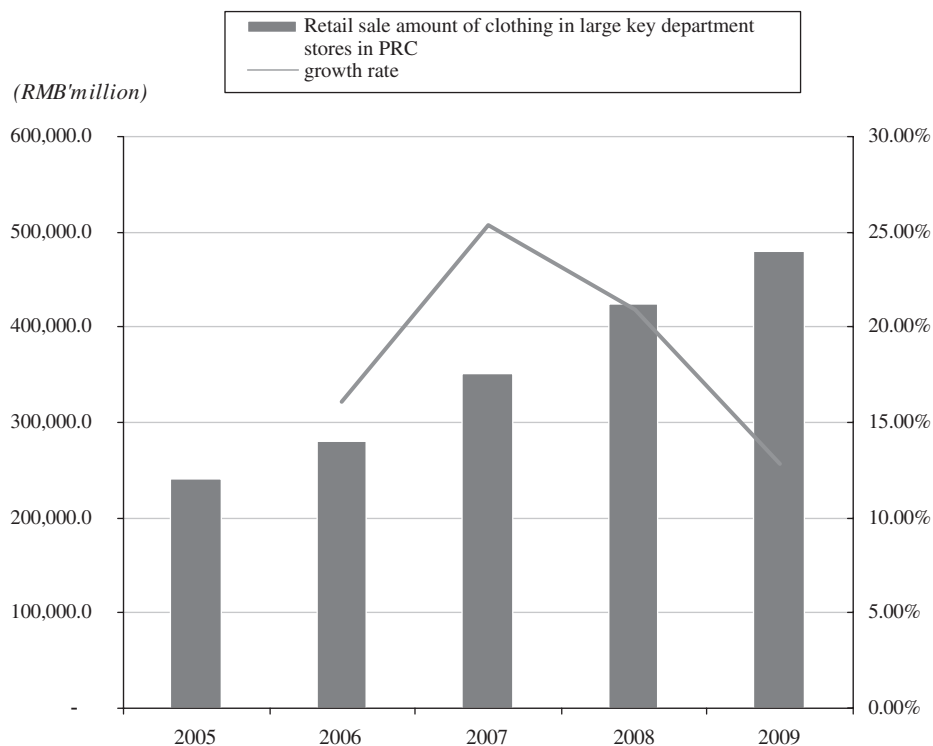
Per Capita Annual Living Expenditure of Urban Households (2008)



Source: National Bureau of Statistics of China

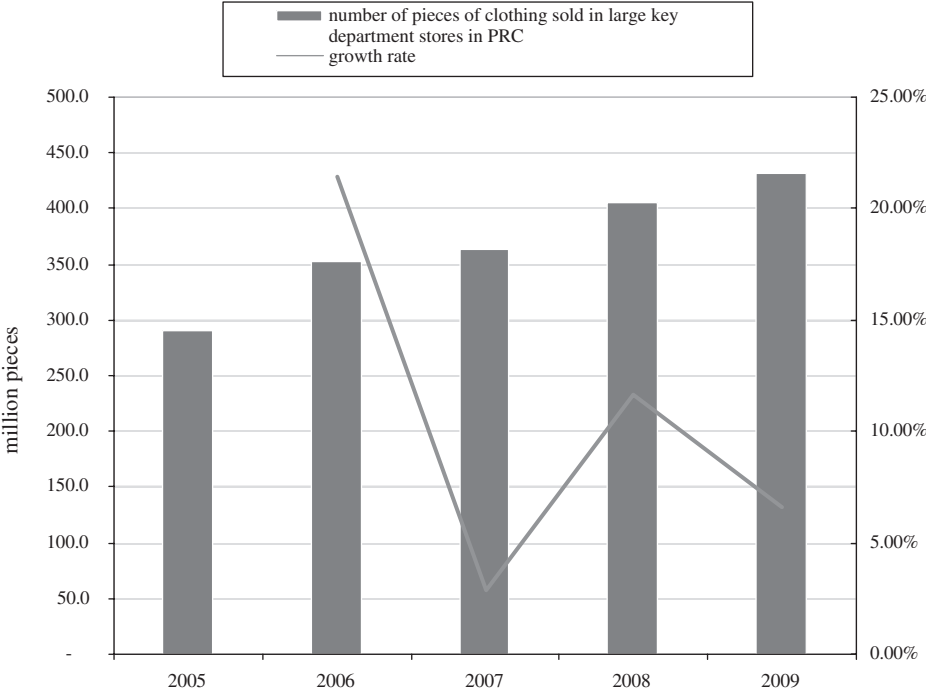
Overview on the apparel retailing business in the PRC

Total clothing retail sales amount of large key department stores throughout the PRC was growing from 2005 to 2009. This amount grew from approximately RMB424.5 billion in 2008 to approximately RMB479.0 billion in 2009, representing a yearly growth rate of 12.8%. The CAGR of the total clothing retail sales amount of large key department stores in the PRC throughout the period from 2005 to 2009 was 18.7%. The chart below illustrates the total clothing retail sales value of large key department stores in the PRC together with their growth rate from 2005 to 2009.



Source: China Wool Textile Association

The number of clothing units sold in large key department stores in the PRC has also demonstrated a growing trend. According to the China Wool Textile Association, approximately 432.3 million pieces of clothing were sold in large key department stores in the PRC in 2009, an increase of 6.6% to 2008, in which approximately 405.6 million pieces of clothing were sold in large key department stores in the PRC. The CAGR of the number of pieces of clothing sold in large key department stores in the PRC throughout the period from 2005 to 2009 was 10.4%. The chart below illustrates the number of pieces of clothing sold in large key department stores in the PRC and their growth rate from 2005 to 2009.



Source: China Wool Textile Association

1. RESPONSIBILITY STATEMENT

This circular, for which the Provisional Liquidators and the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Provisional Liquidators and the Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The sole director of the Investor, Mr. Chuang, accepts full responsibility for the accuracy of the information regarding the Investor contained in this circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised issued share capital of the Company as at the Latest Practicable Date and immediately following (i) completion of the Open Offer; (ii) completion of the Share Consolidation; (iii) fully exercise of the Investor Convertible Bonds; and (iv) fully exercise of the Creditors Convertible Bonds.

Authorised share capital:

		<i>HK\$</i>
<u>50,000,000,000</u>	Shares as at the Latest Practicable Date	<u>500,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		
221,260,680	Reorganised Shares in issue as at the Latest Practicable Date	2,212,606.80
15,001,474,104	Offer Shares to be allotted under the Open Offer	150,014,741.04

1,522,273,478	New Shares to be issued immediately upon completion of the Open Offer and the Share Consolidation	152,227,347.80
1,000,000,000	New Shares (as adjusted for the Share Consolidation) to be issued upon exercise in full the conversion rights under the Investor Convertible Bonds	100,000,000.00
200,000,000	New Shares (as adjusted for the Share Consolidation) to be issued upon exercise in full the conversion rights under the Creditors Convertible Bonds	20,000,000.00
<u>2,722,273,478</u>		<u>272,227,347.80</u>

All of the Reorganised Shares and Offer Shares in issue will rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other shares of the Company in issue on the date of issue. The Reorganised Shares and Offer Shares will be consolidated into the New Shares. All the New Shares will rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other shares of the Company in issue on the date of issue.

As at the Latest Practicable Date, no share, option, warrant, conversion right or any equity or debt securities of the Company is outstanding or is proposed to be issued (save for any option may be issued pursuant to the share option scheme of the Company) for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Open Offer and the Convertible Bonds.

The Company has not issued any new Shares since 31 March 2010, the end of last financial year. The Shares are listed on the Main Board of the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Provisional Liquidators and the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

*Interest in the Shares and underlying Shares:**Long positions in the Shares*

Name of substantial Shareholders	Capacity/Nature	No. of Reorganised Shares held	Approximate shareholder percentage
Fidelitycorp Limited <i>(Note 1)</i>	Interest in a controlled corporation (as trustee for Moon Light Trust)	10,000,000,000	4,519.56%
Moon Light Invesments Group Limited <i>(Note 1)</i>	Interest in a controlled corporation	10,000,000,000	4,519.56%
Radford Developments Limited <i>(Note 1)</i>	Beneficial owner	10,000,000,000	4,519.56%
Kwok Wing <i>(Note 2)</i>	Interest in a controlled corporation	76,242,400	34.46%
Wan Lai Ngan <i>(Note 3)</i>	Interest of spouse	76,242,400	34.46%
Efulfilment Enterprises Limited <i>(Note 4)</i>	Beneficial owner	65,280,000	29.50%
Kwok Chiu <i>(Note 4)</i>	Interest in a controlled corporation	65,280,000	29.50%
Sansar Capital Management, LLC <i>(Note 5)</i>	Investment manager	43,463,600	19.64%
Sansar Captial Master Fund, LP <i>(Note 5)</i>	Beneficial owner	26,227,590	11.85%
Sansar Capital Special Opportunity Master Fund, LP <i>(Note 5)</i>	Beneficial owner	15,239,640	6.89%
Citigroup Inc.	Interest in a controlled corporation	31,536,840	14.25%
	Lending pool	523,940	0.24%

Notes:

1. The issued share capital of Radford Developments Limited is wholly owned by Moon Light Investments Group Limited, which in turn is wholly owned by Fidelitycorp Limited. Fidelitycorp Limited is the trustee for Moon Light Trust.
2. These Reorganised Shares are held as to 65,280,000 shares by Efulfilment Enterprises Limited and as to 10,962,400 shares by Sharp Asset Holdings Limited. Mr. Kwok Wing beneficially owns 50% of the issued share capital of Efulfilment Enterprises Limited and 100% of Sharp Asset Holdings Limited.
3. Ms. Wan Lai Ngan is the spouse of Mr. Kwok Wing (the former chairman and executive director of the Company who retired on 6 October 2009) and is therefore deemed to be interested in the Shares held or deemed to be held by Mr. Kwok Wing under the SFO.
4. The issued share capital of Efulfilment is beneficially owned as to 50% by Mr. Kwok Chiu and 50% by Mr. Kwok Wing, the former chairman and executive Director. Mr. Kwok Chiu is therefore deemed to be interested in the Shares held by Efulfilment Enterprises Limited under the SFO.
5. These interests include the Shares held by Sansar Capital Master Fund, LP and Sansar Capital Special Opportunity Master Fund, LP.

4. DIRECTORS' INTEREST IN ASSETS

None of the Directors or proposed Directors had any direct or indirect interest in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course) within the two years immediately preceding the date of the RA Announcement and up to the Latest Practicable Date and are or may be material:

- (i) the Exclusivity and Escrow Agreement;
- (ii) the Settlement Deed;
- (iii) the sale and purchase agreement dated 29 May 2009 for the sale of entire interests in Lantern Services Limited, Potter Industries Limited and Sino Profit Limited at a nominal consideration of HK\$1;
- (iv) the side letter dated 8 July 2009 entered into by the Provisional Liquidators and the Investor pursuant to which the exclusivity period under the Exclusivity and Escrow Agreement was extended by a 6-month period to 12 January 2010;

- (v) the side letter dated 8 January 2010 entered into by the Provisional Liquidators and the Investor pursuant to which the Investor agreed to extend the exclusivity period under the Escrow and Exclusivity Agreement by a further 6-month period to 11 July 2010;
- (vi) the supplemental deed to the Settlement Deed dated 9 April 2010 to extend the period of not exercising the share charge over the Ever Century Shares from 12 months to 24 months from the date of the Settlement Deed;
- (vii) the Restructuring Agreement;
- (viii) the Investor Subscription Agreement;
- (ix) the Creditors Subscription Agreement;
- (x) the Underwriting Agreement;
- (xi) the New Profit Agreement;
- (xii) the Supplemental Restructuring Side Letter;
- (xiii) the second supplemental deed to the Settlement deed dated 18 May 2011 to extend the period of not exercising the share charge over the Ever Century Shares from 12 months to 36 months from the date of the Settlement Deed;
- (xiv) the Second Supplemental Restructuring Side Letter;
- (xv) the Supplemental Investor Subscription Agreement;
- (xvi) the Supplemental Creditors Subscription Agreement; and
- (xvii) the Supplemental Underwriting Agreement.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors (including the proposed Directors), had any existing or proposed service contract with the Company or any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

None of the Directors (including the proposed Directors) has a service contract with the Company or any of its subsidiaries or associated companies, which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the RA Announcement;

- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors was materially interested in any contract or arrangement subsisting at the date of the prospectus which was significant to the business of the Group.

7. LITIGATION

Pursuant to an order of the Hong Kong Court dated 11 September 2008, Mr. Fok Hei Yu and Mr. Roderick John Sutton were appointed as Provisional Liquidators, following a winding-up petition presented by the Company itself with Bank of America N.A being the supporting Creditor.

Upon the appointment of Provisional Liquidators, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the Hong Kong Court, and subject to such terms as the Hong Kong Court may impose. Claims and potential claims against the Company will be compromised under the Schemes to be implemented by the Company and sanctioned by the Hong Kong Court and the Cayman Islands Court.

Save as disclosed above, the Provisional Liquidators, also acting as directors of certain subsidiaries, are not aware of any existing or potential legal proceedings against the members of the Group as at the Latest Practicable Date.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed Directors and his respective associates was considered to have an interest in a business which competes or is likely to complete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

9. CORPORATE INFORMATION**The Company*****Registered office***

Century Yard
Cricket Square, Hutchins Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

***Head office and principal
place of business***

c/o FTI Consulting (Hong Kong) Limited (formerly
known as FS Asia Advisory Limited and Ferrier
Hodgson Limited)

14th Floor, The Hong Kong Club Building
3A Chater Road, Central, Hong Kong

Other parties***Financial advisor and the Underwriter***

Asian Capital (Corporate Finance) Limited
Suite 1006, Bank of America Tower
12 Harcourt Road, Central, Hong Kong

Auditor

Hopkins CPA Limited
3/F, Sun Hung Kai Centre
30 Harbour Road, Hong Kong

***Legal advisor as to Hong Kong laws
(in relation to the Open Offer and
the issue of Convertible Bonds)***

Sidley Austin
Level 39 Two International Finance Centre
8 Finance Street
Central, Hong Kong

Legal advisor as to Cayman Islands laws

Walkers
15th Floor, Alexandra House
18 Chater Road, Central, Hong Kong

Branch share registrar

Tricor Tengis Limited
26th Floor Tesbury Centre
28 Queen's Road East
Hong Kong

10. SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme approved by way of written resolution on 11 April 2002 (the “**Share Option Scheme**”) under which the Directors may invite any full-time employees, directors (including executive directors, non-executive directors and independent non-executive directors) and part-time employees of the Group with weekly working hours of 10 hours and above, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group from time to time to take up options to subscribe for shares of the Company.

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but which shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the board of directors to each option holder but may not be exercised after the expiry of ten years from the date of grant.

The share options granted to the employees under the Share Option Scheme lapsed immediately upon their cessation of employment with the Group. To the best knowledge of the Provisional Liquidators, no person who also holds a share option is being employed by the Company or the Group nor there are any share options outstanding under the Share Option Scheme as at the Latest Practicable Date.

11. PARTICULARS OF DIRECTORS AND PROPOSED DIRECTORS

(a) Name and address of Directors

Non-executive Director:

Mr. James D. McMullen	14308 Beverly Overland Park KS66223 United states
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Independent non-executive Directors:

Mr. Pau Chin Hung, Andy	Room 1015, Shek Jing House Chun Shek Estate, Shatin New Territories, Hong Kong
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Mr. Choong Khuat Leok	Suite 4304 43/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
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Mr. Kooi Tock Chian	4A, Block 6, Beacon Heights Kowloon, Hong Kong
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(b) Name and address of proposed Directors*Proposed executive Directors:*

Mr. King, Phillip	32nd Floor, China United Centre 28 Marble Rod North Point, Hong Kong
Mr. Ho Tak Fun, Josef	22nd Floor, China United Centre 28 Marble Rod North Point, Hong Kong
Mr. Chiu Siu Po	2nd Floor, 15 Wang Chiu Road Kowloon Bay, Hong Kong

The biographical details of the Directors and the proposed Directors are as follows:

Non-executive Director:

Mr. James D. McMullen, aged 40, is graduated from the University of Kansas School of Law in the United States of America with a J.D. degree with Order of the Coif. He is also a graduate of the University of Georgetown with a degree in Bachelor of Science in Foreign Service, cum laude. Mr. McMullen is a partner of Shapiro, Protzman and McMullen, P.A., a law firm in the United States of America.

Independent Non-executive Directors:

Mr. Pau Chin Hung, Andy, aged 35, received a Bachelor of Finance degree in The Hong Kong University and Science Technology in 1997. He has over 10 years' experience in financial and securities industry. He is also a managing director of a private equity fund in Hong Kong. At the same time, he is a director of China Oil & Methanol Group, Inc., a company listed in the United States of America.

Mr. Choong Khuat Leok, aged 48, was the chief financial officer, company secretary, qualified accountant and authorised representative (for the purpose of Listing Rules) of Byford International Limited ("**Byford**") (Stock Code: 8272), a company listed on the GEM Board of the Stock Exchange, from November 2003 to July 2006. Mr. Choong was a non-executive director of Byford from 1 March 2003 to 10 September 2004 and was subsequently re-designated as an alternate director to Mr. Chai Sing Hong, an executive director of Byford, from 10 September 2004 to 31 July 2006. Mr. Choong is a Chartered Accountant in the United Kingdom and retired as a partner of Deloitte Touche Tohmatsu in Hong Kong in May 2002. He has over 20 years of experience in the corporate finance, assurance and advisory services.

Mr. Choong served as a member of the Auditing Standards Committee of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”)) from 1993 to 1999 and is currently a fellow member of the Institute of Chartered Accountants in England and Wales (“**ICAEW**”), an associate and practising member of the HKICPA, a member of the Hong Kong Securities Institute and was an investment representative under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong, repealed in 2002) from March 2001 to February 2003.

Mr. Choong is an accountancy graduate of the London Guildhall University (formerly the City of London Business School) and obtained an MBA degree awarded by the J.L. Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology. In 2006, Mr. Choong was awarded an advanced diploma in Corporate Finance from the ICAEW. Mr. Choong is currently the Chief Financial Officer of Sinobiomed Inc., a company listed on Over-The-Counter Bulletin Board, the over-the-counter securities market in the United States of America.

Mr. Kooi Tock Chian, aged 44, graduated with a Bachelor of Science degree in Business Administration from Rochester Institute of Technology in the United States of America. Mr. Kooi began his career with Ernst & Young in New York and has more than 10 years of working experience in the field of Accounting and Insolvency Practice in the United States of America.

Proposed Executive Directors:

Mr. King, Phillip, aged 39, received a Master’s degree in Business Administration from the University of San Francisco in the United States of America. He has over 20 years of experience in real estate investment, management and development. Since 2005, Mr. King has been appointed executive director and the managing director of Willie International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. King was also an independent non-executive director of Glory Future Group Limited (presently known as China Metal Resources Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange which he subsequently resigned in November 2007. He has experience in administration, strategic development and investor relations for listed companies in Hong Kong.

Mr. Ho Tak Fun, Josef, aged 56, received a Bachelor degree in Business Administration, Marketing from the Chinese University of Hong Kong and a Master degree in Science, Information Systems from the Hong Kong Polytechnic University. He was a general manager of Jumbo Grade Co., Limited, which runs leading retail chain stores in books, magazines, stationery and specialty items and he has held the position as General Manager in the past 20 years with good exposure to international business. Mr. Ho is a seasoned retail practitioner with profound experience in launching, strategic planning, business development and operations of both the PRC and Hong Kong retail businesses. He also has extensive knowledge in marketing, merchandising, distribution and promotion on consumer products and mass merchandise.

Mr. Chiu Siu Po, aged 61, is the managing director and chief executive officer of More Fortune Company Limited, a company principally engaged in import and export of textile business. Mr. Chiu has over 20 years of experience in textile industry for the manufacturing, sales and distribution. Since January 2006, Mr. Chiu has been appointed as an independent non-executive director of Freeman Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 279). In addition to his valuable expertise in textile industry, Mr. Chiu also has extensive corporate and investment experience in both Hong Kong and the PRC markets.

12. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this prospectus:

Name	Qualification
Hopkins CPA Limited	Certified Public Accountants
ICAL	a licensed corporation to carry out Types 1 (dealing in Securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Asian Capital	a licensed corporation to carry out Types 1 (dealing in Securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

Each of Hopkins CPA Limited, ICAL and Asian Capital has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its names in the form and context in which it respectively appears.

As at the Latest Practicable Date, each of Hopkins CPA Limited and ICAL was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 31 March 2010 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, Asian Capital was not beneficially interested in the share capital of any member of the Group. Save as the Underwriting Agreement, the Supplemental Underwriting Agreement and the Sub-underwriting Letter (which has lapsed), Asian Capital did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 31 March 2010 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. at the principal office of business in Hong Kong of the Company at FTI Consulting (Hong Kong) Limited, 14/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong from the date of this circular up to and including the date of the New EGM:

- (i) memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 March 2009 and 31 March 2010;
- (iii) the letter from ICAL as set out in this circular;
- (iv) the unaudited pro forma financial information of the Group as at 30 September 2010 as set out in Appendix IV to this circular;
- (v) the report from Hopkins CPA Limited on unaudited pro forma financial information of the Group dated 28 June 2011, the text of which is set out in Appendix V to this circular;
- (vi) the letters in relation to the profit forecast for the 30 month period ending 31 March 2013 issued by Hopkins CPA Limited and Asian Capital both on 28 June 2011, the texts of which are set out in Appendix VII to this circular;
- (vii) the written consent referred to in the paragraph headed “Experts and Consents” in this appendix; and
- (viii) all material contracts referred to in the paragraph headed “Material Contracts” in this appendix.

14. GENERAL

- (i) As at the date of this circular, the Company had no company secretary.
- (ii) The English version of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the “**Company**”) will be held at 14/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on Wednesday, 13 July 2011, at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

IMPLEMENTATION OF THE COMPANY’S RESTRUCTURING PROPOSAL

1. “**THAT**, conditional upon (i) the proposed scheme of arrangement to be effected under section 166 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong being sanctioned by the High Court of Hong Kong Special Administrative Region (“Hong Kong”); and (ii) passing of the resolutions numbered 2 to 4 set out in this notice of EGM (the “**Notice**”),
 - (a) the entry by the Company into the restructuring agreement dated 26 May 2010 (as amended by a supplemental letter agreement dated 24 August 2010 and a second supplemental letter agreement dated 27 May 2011) entered into by and among the Company and its joint and several provisional liquidators (the “**Provisional Liquidators**”) in respect of the restructuring of the Company (the “**Restructuring Agreement**”, a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purposes) and the transactions contemplated thereunder and the performance thereof by the Company, be and are hereby confirmed, ratified and approved; and
 - (b) the Provisional Liquidators and the directors of the Company (the “**Directors**”) be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to or implementing any of the foregoing.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT**, conditional upon (i) the capital reduction, the capital cancellation, the share consolidation and the authorised share capital increase referred to in the resolution numbered 1 of the notice of the extraordinary general meeting of the Company dated 7 August 2010 (the “**Capital Reorganisation Resolution**”) becoming effective; (ii) passing of the resolutions numbered 1, 3 and 4 set out in this Notice; (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting its approval to the listing of, and permission to deal in the Investor Convertible Bonds Conversion Shares (as defined below):
- (a) the entry by the Company into the subscription agreement dated 24 June 2010 (as supplemented by a supplemental subscription agreement dated 27 May 2011) entered into by and among Radford Developments Limited (the “**Investor**”), the Company and the Provisional Liquidators (the “**Investor Subscription Agreement**”, a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for identification purposes) setting out the terms and conditions of the convertible bonds to be issued by the Company with principal amount of HK\$100,000,000 and a tenure of three years bearing no interest and convertible into New Shares (as defined below) at the option of the holders at a conversion price of HK\$0.01 per share (which shall be adjusted to HK\$0.10 per New Share upon completion of the Share Consolidation (as defined below)) of the Company (the “**Share**”) (the material terms of which are detailed in the circular of the Company dated 28 June 2011 (the “**Circular**”)), the transactions contemplated thereunder and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;
 - (b) the allotment and issue of 10,000,000,000 Shares (or 1,000,000,000 New Shares upon completion of the Share Consolidation) (the “**Investor Convertible Bonds Conversion Shares**”) representing an aggregate nominal value of HK\$100,000,000 to the Investor, pursuant to the terms of the Investor Subscription Agreement be and is hereby approved;
 - (c) the Investor Convertible Bonds Conversion Shares shall rank pari passu with each other in all respects and with the issued Shares in the capital of the Company on the date of their issue and allotment;
 - (d) the Provisional Liquidators and the Directors be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to the terms of the Investor Subscription Agreement, including without limiting the foregoing, to complete the transactions contemplated under the Investor Subscription Agreement.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT**, conditional upon (i) the Capital Reorganisation Resolution becoming effective; (ii) passing of the resolutions numbered 1 and 4 set out in this Notice; and (iii) the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in the Creditors Convertible Bonds Conversion Shares (as defined below):
- (a) the entry by the Company into the subscription agreement dated 6 July 2010 (as supplemented by a supplemental subscription agreement dated 27 May 2011) entered into by and among New Profit Holdings Limited (“**New Profit**”), Key Winner Holdings Limited (“**Key Winner**”), the Company and the Provisional Liquidators (the “**Creditors Subscription Agreement**”, a copy of which has been produced to the EGM marked “C” and signed by the chairman of the EGM for identification purposes) setting out the terms and conditions of the convertible bonds to be issued by the Company with principal amount of HK\$20,000,000 and a tenure of one year bearing an interest rate of 2% per annum and convertible into Shares at the option of the holders at a conversion price of HK\$0.01 per Share (which shall be adjusted to HK\$0.10 per New Share upon completion of the Share Consolidation) (the material terms of which are detailed in the Circular), the transactions contemplated thereunder and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;
 - (b) the allotment and issue of 2,000,000,000 Shares (or 200,000,000 New Shares upon completion of the Share Consolidation) (the “**Creditors Convertible Bonds Conversion Shares**”) representing an aggregate nominal value of HK\$20,000,000, to be allocated as to five sevenths pro rata to Key Winner for the benefit of a person to whom or which the Company owes a Claim (as defined in the Creditors Subscription Agreement) other than the Preferential Creditors (as defined in the Creditors Subscription Agreement) and as to two sevenths to New Profit for the benefit of the New Profit Stakeholders (as defined in the Creditors Subscription Agreement), pursuant to the terms of the Creditors Subscription Agreement be and is hereby approved;
 - (c) the Creditors Convertible Bonds Conversion Shares shall rank pari passu with each other in all respects and with the issued Shares in the capital of the Company on the date of their issue and allotment;
 - (d) the Provisional Liquidators and the Directors be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to the terms of the Creditors Subscription Agreement, including without limiting the foregoing, to complete the transactions contemplated under the Creditors Subscription Agreement.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

OPEN OFFER

4. **“THAT**, conditional upon (i) the Capital Reorganisation Resolution becoming effective; (ii) passing of the resolutions numbered 1, 2 and 3 set out in this Notice; (iii) the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in the New Shares; (iv) the Restructuring Agreement becoming unconditional in all respects (save as the condition requiring the Open Offer (as defined below) becoming unconditional and/or the obligations of the Underwriter (as defined below) under the Underwriting Agreement (as defined below) not being terminated); and (vi) the obligations of the Underwriter in accordance with the terms thereof:
- (a) the issue by way of an open offer (the **“Open Offer”**) of 15,001,474,104 Shares (the **“Offer Shares”**) at the subscription price of HK\$0.01 per Offer Share on the basis of 339 Offer Shares for every 5 Shares to be held by the shareholders of the Company (the **“Shareholders”**), other than certain Shareholders whose addresses as shown on the register of members of the Company on 13 July 2011 (the **“Record Date”**) are in places outside Hong Kong and otherwise on the terms of the Open Offer as set out in the Circular be and is hereby approved, and the Directors be and are hereby authorised to allot the Offer Shares and to issue the relevant New Shares upon the Share Consolidation pursuant to and in accordance with the terms of the Open Offer;
 - (b) the entry by the Company into the underwriting agreement dated 27 July 2010 (as supplemented by a supplemental underwriting agreement dated 27 June 2011) entered into by and between the Company and Asian Capital (Corporate Finance) Limited (the **“Underwriter”**) (the **“Underwriting Agreement”** a copy of which has been produced to the EGM marked “D” and signed by the chairman of the EGM for identification purposes), the transactions contemplated thereunder and the performance thereof by the Company, be and are hereby confirmed, ratified and approved; and
 - (c) the Provisional Liquidators and the Directors be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary or desirable for the purpose of giving effect to the terms of the Underwriting Agreement, including without limiting the foregoing, to complete the transactions contemplated under the Underwriting Agreement.”

SHARE CONSOLIDATION

5. **“THAT**, immediately after completion of the Open Offer, every 10 issued and unissued Shares of par value of HK\$0.01 each be consolidated and exchanged into one share of par value of HK\$0.10 each (**“New Share”**) (the **“Share Consolidation”**).”

NOTICE OF EXTRAORDINARY GENERAL MEETING

GENERAL MANDATE TO ALLOT, ISSUE AND DEAL WITH SHARES

6. “**THAT**, conditional upon closing having taken place under the Restructuring Agreement:
- (a) subject to paragraph (b) below, the Directors be and are hereby generally and unconditionally authorised to exercise during the Relevant Period (as defined below) all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including warrants, bonds and debenture, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares of the Company) which would or might require the exercise of any such powers during or after the end of the Relevant Period;
 - (b) the aggregate nominal amount of the Shares allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval of paragraph (a) above, other than pursuant to (i) a Rights Issue (as defined below); or (ii) an issue of ordinary shares of the Company upon the exercise of rights of subscription or conversion under the terms of any securities which are convertible into ordinary shares of the Company; or (iii) an issue of ordinary shares of the Company by way of scrip dividend pursuant to the articles of association of the Company from time to time; or (iv) the exercise of any option granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible participants of the Company and/or its subsidiaries, of options to subscribe for, or rights to acquire, shares of the Company; shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of all the transactions contemplated under the Restructuring Agreement;
 - (c) for the purpose of this resolution, “**Relevant Period**” means the period from completion of all the transactions contemplated under the Restructuring Agreement until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company after the closing under the Restructuring Agreement has taken place; or
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting; andthe expiration of the period within which the next annual general meeting of the Company after the closing under the Restructuring Agreement has taken place is required by the articles of association of the Company, or any applicable laws, to be held.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

“**Rights Issue**” means an offer of Shares for subscription open for a fixed period by the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

GENERAL MANDATE TO PURCHASE SHARES

7. “**THAT**, conditional upon closing having taken place under the Restructuring Agreement:
- (a) the Directors be and are hereby generally and unconditionally authorised to exercise during the Relevant Period (as defined below) all the powers of the Company to purchase Shares in the capital of the Company, subject to and in accordance with applicable laws;
 - (b) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company in issue immediately following completion of all the transactions contemplated under the Restructuring Agreement;
 - (c) for the purpose of this resolution, “**Relevant Period**” means the period from completion of all the transactions contemplated under the Restructuring Agreement until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company after the closing under the Restructuring Agreement has taken place; or
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting; andthe expiration of the period within which the next annual general meeting of the Company after the closing under the Restructuring Agreement has taken place is required by the articles of association of the Company, or any applicable laws, to be held.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

EXTENSION MANDATE

8. “**THAT**, conditional upon the completion of all the transactions contemplated under the Restructuring Agreement and subject to the availability of unissued share capital of the Company and conditional upon the passing of resolutions numbered 6 and 7 as set out in the Notice, the aggregate nominal amount of New Shares which are purchased by the Company pursuant to and in accordance with resolution numbered 7 as set out in the Notice shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution numbered 6 as set out in the Notice.”

For and on behalf of
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
FOK Hei Yu
Roderick John Sutton
*Joint and Several Provisional Liquidators
acting as agents without personal liability*

By order of the Board
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
Choong Khuat Leok
Independent Non-executive Director

Hong Kong, 28 June 2011

As at the date of this notice, the board of directors of the Company comprises one non-executive director, Mr. James D McMullen; and three independent non-executive directors, Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok, and Mr. Kooi Tock Chian.

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives of the meeting and vote in its stead.
2. A form of proxy for use in connection with the EGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company, Tricor Tengis Limited, at 26th floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. In relation to resolutions numbered 6 and 8 above, approval is being sought from the Shareholders for the grant to the Directors of a general mandate to authorise the allotment, issue and dealing with additional shares in the capital of the Company under the Rules Governing the Listing of Securities on the Stock Exchange.
4. In relation to resolution numbered 7 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase shares in circumstance which they deem appropriate for the benefit of the shareholders of the Company.
5. Resolutions numbered 1 to 4 shall be voted by way of a poll of the Independent Shareholders (as defined in the Circular).