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TACK FAT GROUP INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Provisional Liquidators Appointed)

(Stock Code: 928)



WINDING-UP OF SUBSIDIARIES, DISCLOSEABLE TRANSACTION RELATING TO DISPOSAL OF SUBSIDIARIES, RESIGNATION OF EXECUTIVE DIRECTOR AND PRICE SENSITIVE INFORMATION

**Financial Advisor to
the Company**



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Reference is made to the announcement of the Company dated 16 January 2009. The Provisional Liquidators would like to update the Shareholders on the progress of the restructuring of the Group.

WINDING-UP OF SUBSIDIARIES

A winding-up petition was presented against TF Manufacturing on 17 December 2008 in the High Court and on 18 February 2009, the High Court ordered that TF Manufacturing be wound up. The Official Receiver is acting as the provisional liquidator of TF Manufacturing.

Chiu Wing and TFI Holdings, both indirect wholly-owned subsidiaries of the Company, commenced voluntary winding-up on 23 April 2009 as their respective directors believed that neither company had sufficient working capital to continue operations. Liquidators were appointed to both Chiu Wing and TFI Holdings on 20 May 2009.

None of TF Manufacturing, Chiu Wing or TFI Holdings is part of the Restructuring Proposal.

THE TRANSFER

On 29 May 2009, the Transferor, a direct wholly-owned subsidiary of the Company, entered into the Deed with Key Winner whereby Key Winner agreed to acquire and the Transferor agreed to transfer the Transfer Shares for an aggregate nominal consideration of HK\$1.00. The Transfer Shares represent the entire issued share capital of Lantern Services, Potter Industries and Sino Profit.

Key Winner is controlled by the Provisional Liquidators and has been established for the benefit of the Creditors. The Transfer is primarily in furtherance of the restructuring of the Group in accordance with the Restructuring Proposal and will also enable the Company an opportunity to streamline its operations.

The entering into of the Deed and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements.

RESIGNATION OF AN EXECUTIVE DIRECTOR

Mr. Kwok has resigned as an executive Director with effect from 25 March 2009.

EXTENSION OF DEADLINE FOR THE SUBMISSION OF RESUMPTION PROPOSAL

Further to the Condition Letter dated 10 October 2008, the Stock Exchange has postponed the deadline for the Company to submit a viable resumption proposal from 10 April 2009 to 26 June 2009.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 30 July 2008 and will remain suspended until further notice. Further announcements will be made as material developments take place.

Reference is made to the announcement of the Company dated 16 January 2009 in relation to the Exclusivity and Escrow Agreement entered into among the Investor, the Provisional Liquidators and the Escrow Agent. Capitalized terms used in this announcement shall have the same meanings as defined in the above said announcement unless otherwise defined herein.

Pursuant to the Exclusivity and Escrow Agreement, the Provisional Liquidators have carried on the implementation of the Restructuring Proposal and the Provisional Liquidators would like to update the Shareholders about the progress of the restructuring of the Group.

WINDING-UP OF SUBSIDIARIES

A creditor's winding-up petition was presented against TF Manufacturing in the High Court on 17 December 2008. TF Manufacturing is an indirect wholly-owned subsidiary of the Company and it is not a subsidiary which will be retained as part of the Restructuring Proposal.

The winding-up petition was heard before the High Court on 18 February 2009 and on that day, the High Court ordered that TF Manufacturing be wound up. The Official Receiver was appointed as the provisional liquidator of TF Manufacturing and will continue to act as provisional liquidator thereof until the High Court sanctions the appointment of a liquidator in accordance with the procedures under the Companies Ordinance.

Chiu Wing and TFI Holdings are both indirect wholly-owned subsidiaries of the Company, and the respective directors of these subsidiaries commenced voluntary winding-up pursuant to Section 228A(1) of the Companies Ordinance on 23 April 2009 as neither of these subsidiaries had sufficient working capital to continue operations. Neither of these subsidiaries is a part of the Restructuring Proposal. Fok Hei Yu and Roderick John Sutton, both of Ferrier Hodgson Limited, were appointed as the provisional liquidators to Chiu Wing and TFI Holdings on 23 April 2009 and then subsequently appointed as liquidators thereof on 20 May 2009.

THE DEED

Date

29 May 2009

Parties

- 1) the Provisional Liquidators;
- 2) the Transferor; and
- 3) Key Winner.

Assets to be disposed

The assets to be disposed of comprise of the Transfer Shares. The Transfer Shares represent the entire issued share capital of Lantern Services, Potter Industries and Sino Profit. The parties to the Deed acknowledge and agree that the Transfer is in furtherance of a restructuring of the Group in accordance with the Restructuring Proposal and the terms thereunder provide that Key Winner, controlled by the Provisional Liquidators, will make available the benefit of the Disposed Group to the Creditors.

Consideration

The total consideration for the Transfer is HK\$1.00 and is payable upon Completion in cash.

The book value of the Disposed Group as at 30 September 2007, being the date of the latest published accounts of the Group, was approximately HK\$52.42 million. However, the Group's control over the operations of the Disposed Group was lost before the appointment of the Provisional Liquidators and respective books and records were incomplete. In such circumstances, the Provisional Liquidators are of the view that the consideration is fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole as the Transfer facilitates the restructuring of the Group.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is principally engaged in investment holding. The Group was principally engaged in apparel manufacturing business through original design manufacturing (ODM) and original equipment manufacturing (OEM) with manufacturing operations in the PRC and the Kingdom of Cambodia, as well as apparel retailing business in the PRC.

Due to its own admitted insolvency, the Company filed its own winding-up petition in the High Court on 10 September 2008 and on the application of Bank of America NA, the Provisional Liquidators were appointed on 11 September 2008.

Due to the insolvency of certain subsidiaries of the Company and as a result of the winding-up of TF Manufacturing, Chiu Wing and TFI Holdings, only the retailing business of the Group remains in operation while the other businesses have ceased.

INFORMATION ON THE TRANSFEROR

The Transferor is a company incorporated in the BVI with limited liability and is directly wholly-owned by the Company and immediately before Completion directly held the entire issued share capital of Lantern Services, Potter Industries and Sino Profit.

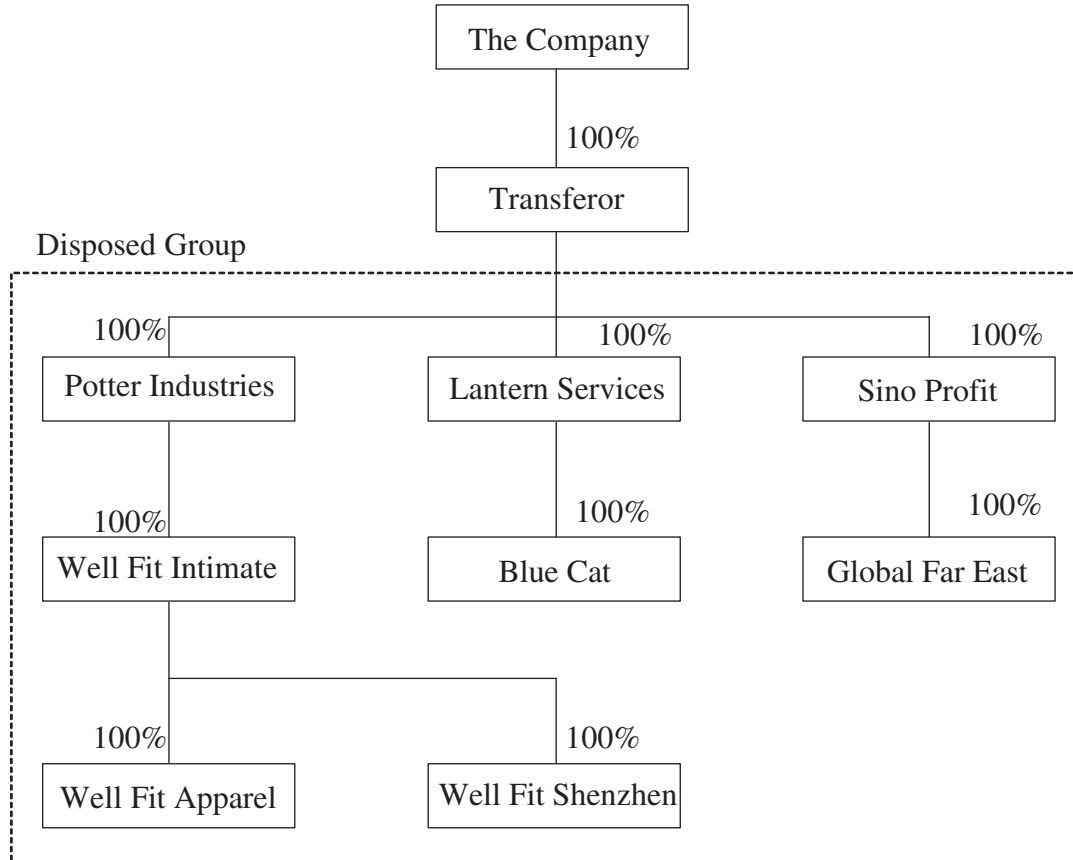
INFORMATION ON KEY WINNER

Key Winner is a company incorporated in Hong Kong on 26 March 2009 with limited liability and is controlled by the Provisional Liquidators for the benefit of the Creditors. The Provisional Liquidators confirm that Key Winner and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Save for the entering into the Deed, Key Winner has not conducted any business since its incorporation.

INFORMATION ON THE DISPOSED GROUP

The organizational relationship chart of the Disposed Group is as following:



Lantern Services is a limited liability company incorporated in the BVI and is wholly and beneficially owned by the Transferor. Lantern Services is principally engaged in investment holding and owns the entire interest in Blue Cat.

Blue Cat is a limited liability company incorporated in the BVI and is a dormant company.

Potter Industries is a limited liability company incorporated in the BVI and is wholly and beneficially owned by the Transferor. Potter Industries is principally engaged in investment holding and owns the entire interest in Well Fit Intimate.

Well Fit Intimate is a limited liability company incorporated in Hong Kong. Well Fit Intimate is principally engaged in the sale of garments and owns the entire interest in both Well Fit Apparel and Well Fit Shenzhen.

Well Fit Apparel is a limited liability company incorporated in the PRC and is a dormant company.

Well Fit Shenzhen is a limited liability company incorporated in the PRC and is principally engaged in the manufacture of garments.

Sino Profit is a limited liability company incorporated in the BVI and is wholly and beneficially owned by the Transferor. Sino Profit is principally engaged in the sale of garments and owns the entire interest in Global Far East.

Global Far East is a limited liability company incorporated in Macau and is principally engaged in the sale of garments.

FINANCIAL INFORMATION ON THE DISPOSED GROUP

The following table sets out certain financial information of the Disposed Group based on its latest audited accounts for the two years ended 31 March 2007 and 31 March 2006.

	For the year ended	
	31 March 2007	31 March 2006
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit/(loss) before taxation	1,960	10,897
Net profit/(loss) after taxation	1,960	5,580

REASONS FOR AND BENEFITS OF THE TRANSFER

The Provisional Liquidators have entered into the Deed as a part of the restructuring of the Group in accordance with the Restructuring Proposal and the Transfer will give the Company an opportunity to streamline its operations. As noted above, the subsidiaries in the Disposed Group are either dormant or have ceased operations and the Provisional Liquidators consider that any realization of the assets of the Disposed Group is uncertain and likely to be minimal. The removal of the Disposed Group will not have any material impact on the continuing operations of the Group after Completion. In light of the fact that the Provisional Liquidators have been appointed, the Transfer is in furtherance of the Restructuring Proposal and will ultimately benefit the Creditors, the terms of the Deed are considered fair and reasonable and accordingly the Provisional Liquidators consider that the entering into the Deed is in the interest of the Company, the Shareholders and the Creditors as a whole.

FINANCIAL EFFECTS OF THE TRANSFER

The Deed was executed on 29 May 2009.

Upon Completion, the Disposed Group will cease to be subsidiaries of the Company and their financial results will not be consolidated into the Group's future financial statements. Based on the unaudited net assets value of the Disposed Group as at 30 September 2007 (being the date of the latest published accounts of the Group), the Group will recognize a loss on disposal of approximately HK\$52.42 million upon Completion.

USE OF PROCEEDS

The Provisional Liquidators expect that the gross proceeds from the Transfer, if any, will be used to reduce the indebtedness of the Group.

LISTING RULES IMPLICATIONS

The entering into of the Deed and the transaction contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements.

RESIGNATION OF AN EXECUTIVE DIRECTOR

On 29 April 2009, the Provisional Liquidators received a resignation letter dated 25 March 2009 from Mr. Kwok regarding his resignation as an executive Director and from any other office within the Group with immediate effect. Mr. Kwok confirmed that there was no disagreement between him and the Board and there was no other matter in relation to Mr. Kwok's resignation which would need to be brought to the attention of the Shareholders.

Reference is also made to the announcement of the Company dated 31 March 2009 in relation to, among other things, the resignation of Ms. Kwok Choi Ha as executive Director with effect from 20 March 2009. Following the attempts of the Provisional Liquidators to make contacts with Ms. Kwok Choi Ha for her clarification of (i) any reasons for her resignation, (ii) whether she had any disagreement with the Board; and (iii) whether there was any matter relating to her resignation which would need to be brought to the attention of the Shareholders. Ms. Kwok did not give any reasons for her resignation, but has confirmed that there was no disagreement between her and the Board and there was no other matter in relation to her resignation which would need to be brought to the attention of the Shareholders.

EXTENSION OF DEADLINE FOR SUBMISSION OF RESUMPTION PROPOSAL

Reference is made to the announcement of the Company dated 31 March 2009 in relation to, among other things, the Condition Letter from the Stock Exchange dated 10 October 2008 setting out, among other things, a deadline for the submission of a viable resumption proposal by the Company for the resumption of trading in the Shares to be 10 April 2009. In view of the recent developments of the restructuring of the Group, the Provisional Liquidators have applied and the Stock Exchange has agreed to postpone this deadline to 26 June 2009.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 30 July 2008 and will remain suspended until further notice. Further announcements will be made as material developments take place.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Blue Cat”	Blue Cat Enterprises Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Lantern Services
“BVI”	British Virgin Islands
“Chiu Wing”	Chiu Wing Enterprise Company Limited (In Creditors’ Voluntary Liquidation), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion”	the completion of the transfer of the Transfer Shares under the Deed
“Condition Letter”	a letter dated 10 October 2008 from the Stock Exchange to the Company setting out, inter alia, the conditions for the resumption of trading in the Shares
“Creditors”	those creditors of the Company
“Deed”	the deed of transfer of shares dated 29 May 2009 and entered into between Key Winner, the Transferor and the Company in respect of the Transfer
“Disposed Group”	the group of companies consisting of Lantern Services, Blue Cat, Potter Industries, Well Fit Intimate, Well Fit Apparel, Well Fit Shenzhen, Sino Profit and Global Far East
“Global Far East”	Global Far East (Macao Commercial Offshore) Limited, a company incorporated in Macau with limited liability and a direct wholly-owned subsidiary of Sino Profit
“High Court”	the Court of First Instance, High Court of Hong Kong
“Key Winner”	Key Winner Holdings Limited, a company incorporated in Hong Kong with limited liability on 26 March 2009 and controlled by the Provisional Liquidators

“Lantern Services”	Lantern Services Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Transferor
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Kwok”	Mr. Kwok Kam Chuen
“Official Receiver”	the Official Receiver appointed under the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong)
“Potter Industries”	Potter Industries Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Transferor
“PRC”	the People’s Republic of China
“Sino Profit”	Sino Profit Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Transferor
“TF Manufacturing”	Tack Fat Manufacturing Factory Limited (In Liquidation), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“TFI Holdings”	Tack Fat International Holdings Limited (In Creditors’ Voluntary Liquidation), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Transfer”	the transfer of the Transfer Shares by the Transferor to Key Winner under the Deed
“Transfer Shares”	collectively the entire issued share capital of Lantern Services, Potter Industries and Sino Profit
“Transferor”	Ever Century Holdings Limited, a company incorporated in the BVI with limited liability and is directly wholly-owned by the Company
“Well Fit Apparel”	Well Fit Apparel (Shenzhen) Limited, a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of Well Fit Intimate

“Well Fit Intimate”	Well Fit Intimate Design and Manufacture Limited, a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of Potter Industries
“Well Fit Shenzhen”	Well Fit Shenzhen Garment Manufacture Limited, a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of Well Fit Intimate
“%”	per cent

For and on Behalf of
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
Fok Hei Yu
Roderick John Sutton
Joint and Several Provisional Liquidators
who act without personal liabilities

Hong Kong, 3 June 2009

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Kwok Wing, and Mr. Chan Chak Kai, Kenneth, one non-executive Director, Mr. James D. McMullen and one independent non-executive Director, Mr. Ching Kwok Ho, Samuel.

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