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## **TACK FAT GROUP INTERNATIONAL LIMITED**

**(Provisional Liquidators Appointed)**

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

(Stock Code: 00928)



- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) PROPOSED OPEN OFFER ON THE BASIS OF 339 OFFER SHARES FOR EVERY 5 NEW SHARES HELD ON THE RECORD DATE;**
- (3) SUBSCRIPTION OF INVESTOR CONVERTIBLE BONDS;**
- (4) SUBSCRIPTION OF CREDITORS CONVERTIBLE BONDS**
- (5) PROPOSED APPLICATION FOR WHITEWASH WAIVER**



### **PROPOSED CAPITAL REORGANISATION**

The Company proposes to put forward to the Shareholders the Capital Reorganisation which will comprise (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 New Shares of HK\$0.01 each.

A credit amount of approximately HK\$219 million arising from the Capital Reduction will be applied in a manner as permitted by the Cayman Companies Law and by the Memorandum and Articles of Association, including but not limited to setting off part of the accumulated losses of the Company of approximately HK\$2,188 million as at 31 March 2010.

The Capital Reorganisation is conditional upon, *inter alia*, the approval by the Shareholders in the EGM and compliance with any conditions or directions as may be imposed by the Cayman Islands Court.

## **PROPOSED OPEN OFFER**

Pursuant to the Restructuring Agreement, the Company, subject to the Capital Reorganisation becoming effective, 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 5 New Shares to be held by the Qualifying Shareholders on the Record Date and payable in full on application. The Offer Shares will have a nominal amount of approximately HK\$150 million in aggregate. 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.

## **WARNING OF THE RISK OF DEALING IN SHARES**

**The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the satisfaction of the conditions described in the paragraph headed “Conditions of the Open Offer” below and the Underwriting Agreement not having been terminated. Accordingly, the Open Offer may or may not proceed.**

**The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisors.**

## **SUBSCRIPTION OF INVESTOR CONVERTIBLE BONDS**

On 24 June 2010, the Company, the Provisional Liquidators and the Investor entered into the Investor Subscription Agreement whereby the Company agreed to issue and the Investor agreed to subscribe for the Investor Convertible Bonds in the principal amount of HK\$100 million subject to the terms and conditions of the Investor Subscription Agreement.

Completion of the Investor Subscription Agreement is conditional upon, *inter alia*, approval by the Independent Shareholders in the EGM of transactions contemplated under the Restructuring Agreement and the Investor Subscription Agreement including, but not limited to, the issue of the Investor Convertible Bonds and the Conversion Shares and the Whitewash Waiver.

The initial Conversion Price of the Investor Convertible Bonds of HK\$0.01 per Conversion Share represents (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 29 July 2008, being the last trading day prior to the issue of this announcement; (ii) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.446 per Share as quoted on the Stock Exchange for the five trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; (iii) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.479 per Share as quoted on the Stock Exchange for the 10 trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; and (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per New 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 New Shares in issue upon Capital Reorganisation.

Assuming full conversion of the Investor Convertible Bonds at the Conversion Price of HK\$0.01 per New Share, the Investor Convertible Bonds will be convertible into 10,000,000,000 New Shares (representing an aggregate nominal value of HK\$100 million), representing (i) approximately 452.0% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 4,519.6% of the issued share capital of the Company upon completion of the Capital Reorganisation; (iii) approximately 65.7% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares; (iv) approximately 39.6% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only; (v) approximately 58.1% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of Offer Shares and the full conversion of the Creditors Convertible Bonds only; and (vi) approximately 36.7% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of both of Investor Convertible Bonds and Creditors Convertible Bonds.

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 the maturity date at the Conversion Price per New Share.

No application will be made for the listing of the Investor Convertible Bonds. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## SUBSCRIPTION OF CREDITORS CONVERTIBLE BONDS

On 6 July 2010, the Company, the Provisional Liquidators, New Profit and Key Winner entered into the Creditors Subscription Agreement whereby New Profit and Key Winner agreed to subscribe for the Creditors Convertible Bonds in the principal amount of HK\$20 million subject to the terms and conditions of the Creditors Subscription Agreement. 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.

Completion of the Creditors Subscription Agreement is conditional upon, *inter alia*, the approval by the Shareholders in the EGM of transactions contemplated under the Restructuring Agreement and the Creditors Subscription Agreement including but not limited to the issue of the Creditors Convertible Bonds and the Conversion Shares;

The initial Conversion Price of the Creditors Convertible Bonds of HK\$0.01 per Conversion Share represents (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 29 July 2008, being the last trading day prior to the issue of this announcement; (ii) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.446 per Share as quoted on the Stock Exchange for the five trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; (iii) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.479 per Share as quoted on the Stock Exchange for the 10 trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; and (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per New 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 New Shares in issue upon Capital Reorganisation.

Assuming full conversion of the Creditors Convertible Bonds at the Conversion Price of HK\$0.01 per New Share, the Creditors Convertible Bonds will be convertible into 2,000,000,000 New Shares (representing an aggregate nominal value of HK\$20 million), representing (i) approximately 90.4% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 903.9% of the issued share capital of the Company upon completion of the Capital Reorganisation; (iii) approximately 13.1% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares; (iv) approximately 7.9% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only; (v) approximately 11.6% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of Offer Shares and the full conversion of the Creditors Convertible Bonds only; and (vi) approximately 7.3% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of both of Investor Convertible Bonds and Creditors Convertible Bonds.

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 the maturity date at the Conversion Price per New Share.

No application will be made for the listing of the Creditors Convertible Bonds. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **TAKEOVERS CODE IMPLICATIONS AND PROPOSED APPLICATION FOR WHITEWASH WAIVER**

The Open Offer will be fully underwritten by an underwriter. The Investor will procure an underwriter, who may be the Investor itself or a party acting in concert with the Investor, but shall not be directly or indirectly owned by any of the Directors, chief executive or substantial Shareholder or any associates of them. The Investor also undertakes that other than the Investor, its ultimate beneficial owner and parties acting in concert with any of them, no other party will incur general offer obligation as a result of the arrangements pursuant to the Underwriting Agreement. The Company will make further announcement in the event that the Underwriting Agreement is executed and it is expected that the Underwriting Agreement will be executed prior to the despatch of the Circular and details of the Underwriting Agreement will be contained in the Circular.

If none of the Investor, its ultimate beneficial owner and parties acting in concert with any of them acts as underwriter to the Open Offer, assuming a full conversion of the Investor Convertible Bonds of HK\$100 million immediately after the Open Offer, the Investor will hold 10,000 million New Shares, representing approximately 39.6% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of the Investor Convertible Bonds only and completion of the Open Offer, and approximately 36.7% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of both of the Investor Convertible Bonds and Creditors Convertible Bonds and the completion of the Open Offer.

If the Investor, its ultimate beneficial owner or parties acting in concert with any of them acts as underwriter to the Open Offer, assuming none of the Shareholders takes up the Offer Shares, the Investor will hold approximately 25,000 million New Shares, representing approximately 99.1% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of the Investor Convertible Bonds only and completion of the Open Offer, and approximately 91.8% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of both of the Investor Convertible Bonds and Creditors Convertible Bonds and completion of the Open Offer.

Accordingly, the Investor, its ultimate beneficial owner and parties acting in concert with any of them will make an application to the Executive under the Takeovers Code for a Whitewash Waiver waiving their obligations to make a mandatory general offer for Shareholders under Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by the Independent Shareholders in the EGM, who are not interested or involved in the Investor Subscription Agreement, the Open Offer and the Whitewash Waiver.



## **GENERAL**

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 announcement, the Open Offer is conditional on the approval by the Independent Shareholders by way of poll in the 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.

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.

As announced in the 1st Announcement, the Circular, including, among other things, details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Investor Subscription Agreement; (iv) the Creditors Subscription Agreement; (v) the Whitewash Waiver; (vi) the recommendations of the Independent Board Committees; and (vi) a letter of advice from Access Capital Limited, the independent financial advisor to the Independent Board Committees and the Independent Shareholders in relation to the Open Offer, the Investor Subscription Agreement and the Whitewash Waiver will be despatched as soon as practicable.

As additional time is required to prepare the information for inclusion in the Circular, it is currently expected that the Circular can only be despatched on or before 9 August 2010. Application has been made and the Executive has granted consent for an extension of time for the despatch of the Circular to on or before 31 August 2010.

## **CONTINUED SUSPENSION OF TRADING IN THE SHARES**

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

**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. 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 announcement does not indicate that the trading in the Shares will be resumed and that the listing approval for the New Shares, the Offer Shares and the Conversion Shares will be granted.**

Reference is made to the 1st Announcement in relation to the entering into the Restructuring Agreement on 7 June 2010 and the announcement of the Company dated 28 June 2010 in relation to the set-up of the Independent Board Committees, the appointment of Access Capital Limited as the independent financial advisor to the Independent Board Committees and the Independent Shareholders and delay in despatch of the Circular.

## **PROPOSED CAPITAL REORGANISATION**

The Company intends to put forward a proposal to the Shareholders to effect the Capital Reorganisation which involves:

- (i) the Capital Reduction whereby the par value of each issued Share will be reduced from HK\$0.1 to HK\$0.001 and the Capital Cancellation whereby all unissued Shares will be cancelled;
- (ii) the Share Consolidation whereby, upon the Capital Reduction and Capital Cancellation becoming effective, every 10 issued shares of par value HK\$0.001 each will be consolidated and exchanged into one New Share of par value of HK\$0.01 each; and
- (iii) the Authorised Share Capital Increase where the Company's authorised share capital will be increased to HK\$500 million, divided into 50,000,000,000 New Shares of HK\$0.01 each.

## **Effects of the Capital Reorganisation**

As at the date of this announcement, the authorised share capital of the Company is HK\$400,000,000, divided into 4,000,000,000 Shares of HK\$0.10 each, of which 2,212,606,800 Shares had been issued and fully paid. Assuming there is no change in the number of Shares from the date of this announcement to immediately upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will become HK\$500,000,000 divided into 50,000,000,000 New Shares of HK\$0.01 each, of which 221,260,680 New Shares will be in issue.

The effect of the Capital Restructuring on the share capital of the Company is summarized in the following table:

	<b>Prior to the Capital Reorganisation</b>	<b>After the Capital Reduction</b>	<b>After the Capital Cancellation</b>	<b>After the Share Consolidation</b>	<b>After the Authorised Share Capital Increase</b>
Par value of share (HK\$)	0.10	0.001	0.001	0.01	0.01
Number of authorised shares	4,000,000,000	4,000,000,000	2,212,606,800	221,260,680	50,000,000,000
Authorised share capital (HK\$)	400,000,000.00	4,000,000.00	2,212,606.80	2,212,606.80	500,000,000.00
Number of shares in issue	2,212,606,800	2,212,606,800	2,212,606,800	221,260,680	221,260,680
Paid-up capital (HK\$)	221,260,680.00	2,212,606.80	2,212,606.80	2,212,606.80	2,212,606.80

A credit amount of approximately HK\$219 million arising from the Capital Reduction will be applied in a manner as permitted by the Cayman Companies Law and by the Memorandum and Articles of Association, including but not limited to setting off part of the accumulated losses of the Company of approximately HK\$2,188 million as at 31 March 2010.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

### **Reasons for the Capital Reorganisation**

The Capital Reduction is necessary in order to ensure that the Company's share capital accurately reflects the Company's available assets. The net assets of the Company have been substantially depleted by accumulated losses of approximately HK\$2,188 million as at 31 March 2010.

The Capital Reorganisation will enable the re-capitalisation of the share capital of the Company through the issue of New Shares. It would not be possible to raise new capital for the Company without such reduction in the par value of each share in the Company. In addition, completion of the Capital Reorganisation is one of the conditions precedent for the Open Offer and the issue of the Convertible Bonds, the proceeds of which will be applied to the discharge of the Group's liabilities and the existing operation of the Group as general working capital.

Accordingly the Company is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation (which will be effected in accordance with the Memorandum and Articles of Association and the Cayman Companies Law) is conditional upon:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders in the EGM;
- (ii) compliance with any conditions or directions as may be imposed by the Cayman Islands Court;
- (iii) an order being granted by the Cayman Islands Court confirming the Capital Reduction;
- (iv) the filing with the Registrar of Companies in the Cayman Islands of a copy of the order of the Cayman Islands Court confirming the Capital Reduction together with the minute approved by the Cayman Islands Court, and the details of the Company's amended share capital at the date of the registration of the order, including the amount deemed to be paid up on each share;
- (v) the registration of the order and the minute by the Registrar of Companies in the Cayman Islands; and
- (vi) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective.



No Shareholder is required to abstain from voting on the Capital Reorganisation in the EGM.

### **Listing and dealings**

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 Capital Reorganisation.

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 certificate to the Shareholders**

Subject to completion of the Capital Reorganisation, the Company will post the new share certificates for the New Shares to the Shareholders at its expenses. The old share certificates for existing Shares will be void automatically upon posting on 29 October 2010.

### **Closure of register of members**

The Company's register of members will be closed from Thursday, 21 October 2010 to Thursday, 28 October 2010 (both dates inclusive), for the purpose of, among other things, establishing entitlements for the posting of new share certificates for the New Shares. No transfer of Shares will be registered during this period.

### **Timing**

The Capital Reorganisation will become effective after the Cayman Islands Court's approval and registration of the order of the Cayman Islands Court confirming the Capital Reduction and the minutes approved by the Cayman Islands Court at the Registrar of Companies in the Cayman Islands, which is expected to take approximately 6-8 weeks from the date of the EGM.

### **PROPOSED OPEN OFFER**

Pursuant to the Restructuring Agreement, the Company, subject to the Capital Reorganisation becoming effective, 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 5 New Shares to be held by the Qualifying Shareholders on the Record Date and payable in full on application. The Offer Shares will have a nominal amount of approximately HK\$150 million in aggregate.

## Issue Statistics of the Open Offer

Basis of the Open Offer	: 339 Offer Shares for every 5 New Shares held on the Record Date by the Qualifying Shareholders
Subscription price	: HK\$0.01 per Offer Share payable in full upon application
Number of New Shares upon completion of the Capital Reorganisation	: 221,260,680 New Shares
Number of Offer Shares	: 15,001,474,104 Offer Shares, representing: <ul style="list-style-type: none"><li>(a) approximately 678.00% of the existing issued share capital of the Company;</li><li>(b) approximately 6,780.00% of the issued share capital of the Company upon completion of the Capital Reorganisation;</li><li>(c) approximately 98.55% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares;</li><li>(d) approximately 59.48% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only;</li><li>(e) approximately 87.10% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and full conversion of the Creditors Convertible Bonds only; and</li><li>(f) approximately 55.11% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds and Creditors Convertible Bonds;</li></ul>
Enlarged issued share capital upon completion of the Open Offer	: 15,222,734,784 New Shares

## **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.

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

In order to be registered as a member of the Company on the 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, 1 November 2010.

## **Closure of register of members**

The Company's register of members will be closed from Tuesday, 2 November 2010 to Monday, 8 November 2010 (both dates inclusive), for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares will be registered during this period.

## **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 New Shares, represents:

- (a) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 29 July 2008, the last trading day of the Shares immediately before the date of this announcement;
- (b) a discount of approximately 99.78% to the average theoretical closing price of HK\$4.46 per share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.446 per Share as quoted on the Stock Exchange for the last five trading days up to and including 29 July 2008, the last trading day of the Shares immediately before the date of this announcement;
- (c) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.479 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 29 July 2008, the last trading day of the Shares immediately before the date of this announcement; and

- (d) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per New 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 New Shares in issue upon the Capital Reorganisation becoming effective).

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 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 and 2,212,606,800 Shares in issue as set out in the Company's published audited financial statements for the year ended 31 March 2010.

Each Shareholder will be entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors, excluding the members of the Open Offer Independent Board Committee (whose view is subject to the advice from the Company's independent financial advisor), 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 of the Open Offer.

### **Share certificates for the fully-paid Offer Shares and refund checks**

Subject to fulfillment of the conditions of the Open Offer, share certificates for all fully paid Offer Shares are expected to be posted to the Qualifying Shareholders who have successfully applied for, and paid for them, after the Latest Time for Termination, at their own risk. The board lot size of the fully paid Offer Shares is 8,000. If the Open Offer is terminated, refund checks will be despatched on or before Thursday, 2 December 2010 by ordinary post at the respective Shareholders' own risk.

### **Status of the Offer Shares**

The Offer Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the New Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Rights of Excluded Shareholders**

If, on the 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 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 to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of any exclusion of the Excluded Shareholders will be included in the Prospectus Documents.

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 and the Whitewash Waiver in the EGM.

#### **No Transfer of nil-paid entitlements, no application for excess Offer Shares and underwriting arrangement**

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 of the Open Offer.

The Investor will procure an underwriter, who may be the Investor itself or a party acting in concert with the Investor, but shall not be directly or indirectly owned by any of the Directors, chief executive or substantial Shareholder or any associates of them, therefore the absence of excess application does not require approval by the Shareholders in the EGM. The Investor also undertakes that other than the Investor, its ultimate beneficial owner and parties acting in concert with any of them, no other party will incur general offer obligation as a result of the arrangements pursuant to the Underwriting Agreement. The Company will make further announcement in the event that the Underwriting Agreement is executed and it is expected that the Underwriting Agreement will be executed prior to the despatch of the Circular and details of the Underwriting Agreement will be contained in the Circular.

#### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

## **Conditions of the Open Offer**

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

- (i) the Capital Reorganisation becoming effective;
- (ii) the passing of the necessary resolutions by the Independent Shareholders in the EGM to approve the Open Offer and the Whitewash Waiver;
- (iii) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached thereto;
- (iv) the Hong Kong Scheme being sanctioned by the Hong Kong Court and the Cayman Scheme being sanctioned by the Cayman Islands Court;
- (v) the duly execution of the Underwriting Agreement and the Underwriting Agreement not being terminated or rescinded by the underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (vi) 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;
- (vii) 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
- (viii) 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 Offer Shares by no later than the first day of their dealings.

The Company has no intention to waive any of these conditions.

## **Reasons for the Open Offer and the use of proceeds**

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

Under the Schemes, the Company will transfer all its cash held to the Scheme Administrators for the benefit of the Scheme Creditors at Closing. The Company is of the view that it is prudent to finance the Group in form of equity to fund its working capital needs and long term organic growth. 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. Together with the subscription of the Investor Convertible Bonds by the Investor, the Company will receive further approximately HK\$24 million in cash after Closing. As such, the Company will have a cash position amounting to approximately HK\$170 million after Closing and is of the view that this level of cash position will facilitate the Group's business development in the long run.

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.

### **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 announcement.

### **WARNING OF THE RISK OF DEALING IN SHARES**

**The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the satisfaction of the conditions described in the paragraph headed "Conditions of the Open Offer" above and the Underwriting Agreement not having been terminated. Accordingly, the Open Offer may or may not proceed.**

**The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisors.**

### **EXPECTED TIMETABLE**

**2010**

Expected date of despatch of the Circular in relation to, among other things, the Capital Reorganisation, the Open Offer, the Convertible Bonds and the Whitewash Waiver and notice of the EGM .....	Monday, 9 August
Latest time for lodging proxy forms for the EGM.....	11:00 a.m. on Monday, 6 September
Expected date of the EGM.....	11:00 a.m. on Wednesday, 8 September
Announcement of results of the EGM .....	Wednesday, 8 September

*The following events are conditional on the results of the EGM and the relevant Cayman Islands Court hearings. The dates are therefore tentative.*

Latest time for lodging transfer of Shares in order to  
qualify for the posting of new share certificates  
for the New Shares ..... 4:30 p.m. on Wednesday,  
20 October

Closure of register of members for posting of  
new share certificates for New Shares  
(both dates inclusive) ..... Thursday, 21 October to  
Thursday, 28 October

Effective date of the Capital Reorganisation and  
record date for posting of new share certificate  
for the New Shares ..... After 5:00 p.m. on  
Thursday, 28 October

Last day of cum-entitlements of the New Shares ..... Thursday, 28 October

First day of ex-entitlements of the New Shares ..... Friday, 29 October

Posting of new share certificate for the New Shares  
and register of members reopens ..... Friday, 29 October

Latest time for lodging transfer of the New Shares in  
order to qualify for the Open Offer ..... 4:30 p.m. on Monday,  
1 November

Closure of register of members to determine the  
eligibility of the Open Offer (both dates inclusive) ..... Tuesday, 2 November to  
Monday, 8 November

Record Date and time for the Open Offer ..... 5:30 p.m. on Monday,  
8 November

Register of members reopens and despatch of the  
Prospectus Documents ..... Tuesday, 9 November

Latest time for acceptance of and payment for Offer Shares ..... 4:00 p.m. on Wednesday,  
24 November

Latest time for Termination .....	4:00 p.m. on Monday, 29 November
Announcement of results of the Open Offer .....	Tuesday, 30 November
Despatch of certificates for Offer Shares .....	Thursday, 2 December
If the Open Offer is terminated, refund checks to be despatched on or before. ....	Thursday, 2 December
Resumption of trading in the Shares and dealings in Offer Shares commence .....	Monday, 6 December

*Note:* All reference to time in this announcement are references to Hong Kong time.

Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Capital Reorganisation and the Open Offer are indicative only and may be extended or varied by agreement between the Company and the underwriter, and subject to the availability of the Cayman Islands Court for hearings 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.

#### **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 announcement may be affected. An announcement will be made by the Company in such event.

## THE INVESTOR SUBSCRIPTION AGREEMENT

- Date : 24 June 2010
- Issuer : the Company
- Subscriber : the Investor
- Conditions precedent : Completion of the Investor Subscription Agreement is conditional upon, *inter alia*:
- (i) approval by the Independent Shareholders in the EGM of transactions contemplated under the Restructuring Agreement and the 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 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 Investor Subscription Agreement if there is a material adverse change prior to Closing and to rescind the Investor Subscription Agreement pursuant to the terms stipulated in the Investor Subscription Agreement.
- The Company may, by notice to the Investor, terminate the Investor Subscription Agreement at any time before the Closing Date if the Restructuring Agreement is terminated pursuant to the terms thereto.
- Completion : Subject to the fulfillment of the conditions precedent of the Investor Subscription Agreement, completion shall take place on the Closing Date.

## Information on the Investor

The Investor is an investment holding company incorporated in the British Virgin Islands and is beneficially and wholly owned by Moon Light Trust. The sole beneficiary of Moon Light Trust is Ms. Huang Min Chuan Joan (“**Ms. Huang**”). Mr. Chuang Eugene Yue-chien, a son of Ms. Huang, is the sole director of the Investor. The Investor is principally engaged in investment holding.

Save for entering into the Exclusivity and Escrow Agreement, the Restructuring Agreement and the Investor Subscription Agreement, none of the Investor, its ultimate beneficial owner and parties acting in concert with any of them has dealt in 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 1st Announcement and up to the date of this announcement. As at the date of this announcement, the Investor, its ultimate beneficial owner and parties acting in concert with any of them do not hold any Shares, warrants, options or convertible securities of the Company or any derivatives in respect of the securities of the Company.

## Principal terms of 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 New Shares at the Conversion Price. The principal terms of Investor Convertible Bonds 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 Investor Convertible Bonds into Conversion Shares at the initial Conversion Price of HK\$0.01 per Conversion Share (subject to adjustment), representing (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 29 July 2008, being the last trading day prior to the issue of this announcement; (ii) a discount of approximately 99.78% to the average theoretical

closing price of HK\$4.46 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.446 per Share as quoted on the Stock Exchange for the five trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; (iii) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.479 per Share as quoted on the Stock Exchange for the 10 trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; and (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per New 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 New Shares in issue upon Capital Reorganisation.

- |                                       |   |
|---------------------------------------|---|
| Adjustments to conversion price       | : The conversion price will be subject to adjustments for, among other things, subdivisions, consolidations or reclassification of New Shares, capitalisation of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on the bondholders.                                       |
| 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 the maturity date at the Conversion Price per New Share. |
| Redemption                            | : Unless previously converted into New 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.   |
| 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 <i>pari passu</i> in all respects with the 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 Investor Convertible Bonds. An application will be made for the listing of, and permission to deal in, the New Shares to be issued by the Company upon the conversion of 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 million 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 Investor Convertible Bonds.

### **Effect on the share capital**

Based on the Conversion Price of HK\$0.01 per New Share and assuming full conversion of Investor Convertible Bonds, the Investor Convertible Bonds will be convertible into 10,000,000,000 New Shares (representing an aggregate nominal value of HK\$100 million), representing (i) approximately 452.0% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 4,519.6% of the issued share capital of the Company upon completion of the Capital Reorganisation; (iii) approximately 65.7% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares; (iv) approximately 39.6% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only; (v) approximately 58.1% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of Offer Shares and the full conversion of the Creditors Convertible Bonds only; and (vi) approximately 36.7% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of both of Investor Convertible Bonds and Creditors Convertible Bonds.

### **Reasons for the Investor Subscription Agreement and the use of proceeds**

It is the intention of the Investor to have the Group focuses on the retail apparel operation under the brand name “XXEZZ” 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 HK\$74 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. 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 HK\$24 million of the proceeds will be applied towards the working capital requirements of the restructured Group.

The Provisional Liquidators consider the terms of the 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.

## **TAKEOVERS CODE IMPLICATIONS AND PROPOSED APPLICATION FOR WHITEWASH WAIVER**

The Open Offer will be fully underwritten by an underwriter. The Investor will procure an underwriter, who may be the Investor itself or a party acting in concert with the Investor, but shall not be directly or indirectly owned by any of the Directors, chief executive or substantial Shareholder or any associates of them. The Investor also undertakes that other than the Investor, its ultimate beneficial owner and parties acting in concert with any of them, no other party will incur general offer obligation as a result of the arrangements pursuant to the Underwriting Agreement. The Company will make further announcement in the event that the Underwriting Agreement is executed and it is expected that the Underwriting Agreement will be executed prior to the despatch of the Circular and details of the Underwriting Agreement will be contained in the Circular.

If none of the Investor, its ultimate beneficial owner and parties acting in concert with any of them acts as underwriter to the Open Offer, assuming a full conversion of the Investor Convertible Bonds of HK\$100 million immediately after the Open Offer, the Investor will hold 10,000 million New Shares, representing approximately 39.6% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of the Investor Convertible Bonds only and completion of the Open Offer, and approximately 36.7% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of both of the Investor Convertible Bonds and Creditors Convertible Bonds and the completion of the Open Offer.

If the Investor, its ultimate beneficial owner or parties acting in concert with any of them acts as underwriter to the Open Offer, assuming none of the Shareholders takes up the Offer Shares, the Investor will hold approximately 25,000 million New Shares, representing approximately 99.1% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of the Investor Convertible Bonds only and completion of the Open Offer, and approximately 91.8% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the full conversion of both of the Investor Convertible Bonds and Creditors Convertible Bonds and completion of the Open Offer.

Accordingly, the Investor, its ultimate beneficial owner and parties acting in concert with any of them will make an application to the Executive under the Takeovers Code for a Whitewash Waiver waiving their obligations to make a mandatory general offer for Shareholders under Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by the Independent Shareholders in the EGM, who are not interested or involved in the Investor Convertible Bonds, the Open Offer and the Whitewash Waiver.

## **THE CREDITORS SUBSCRIPTION AGREEMENT**

- Date : 6 July 2010
- Issuer : the Company
- Subscribers : Key Winner and New Profit
- Conditions precedent : Completion of the Creditors Subscription Agreement is conditional upon, *inter alia*:
- (i) the approval by the Shareholders in the EGM of transactions contemplated under the Restructuring Agreement and the 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 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 Creditors Subscription Agreement at any time before the Closing Date if there is a material adverse change prior to the Completion, and to rescind the Creditors Subscription Agreement.

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

Completion : Subject to the fulfillment of the conditions precedent of the 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 Conversion Share (subject to adjustment), representing (i) a discount of approximately 99.75% to the theoretical closing price of HK\$4.00 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 29 July 2008, being the last trading day prior to the issue of this announcement; (ii) a discount of approximately 99.77% to the average theoretical closing price of HK\$4.46 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.446 per Share as quoted on the Stock Exchange for the five trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement; (iii) a discount of approximately 99.79% to the average theoretical closing price of HK\$4.79 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.479 per Share as quoted on the Stock Exchange for the 10 trading days up to and including 29 July 2008, being the last trading day prior to the issue of this announcement;

and (iv) a premium of approximately HK\$5.87 over the audited consolidated net liabilities per New 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 New Shares in issue upon Capital Reorganisation.

The Conversion Price is determined after arm's length negotiations between the Company, the Creditors, the New Profit Stakeholders 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.

Adjustments to conversion price	: The Conversion Price will be subject to adjustments for, among other things, subdivisions, consolidations or reclassification of New Shares, capitalisation of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on the bondholders.
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 the maturity date at the Conversion Price per New Share.
Redemption price at maturity	: Unless previously redeemed, converted or purchased and cancelled, the Creditors Convertible Bonds will be redeemed at 100% of their principal amount plus interest of 2% per annum on their maturity date.
Early redemption	: The Creditors Convertible Bonds may be redeemed in amounts of HK\$1,000,000 or integral multiples plus any interest accrued and unpaid 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 Creditors Convertible Bonds	: The Creditors Convertible Bonds shall constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.
Ranking of Conversion Shares	: The Conversion Shares will rank <i>pari passu</i> in all respects with the 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 Creditors Convertible Bonds. An application will be made for the listing of, and permission to deal in, the New Shares to be issued by the Company upon the conversion of Creditors Convertible Bonds.

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|-----------------|--|
| 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, or, subject to the prior consent of the Company, such other denomination as the holders of the Creditors Convertible Bonds may request.  |
| Voting          | : Holder(s) of 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 Creditors Convertible Bonds.  |

### **Effect on the share capital**

Based on the Conversion Price of HK\$0.01 per New Share and assuming full conversion of Creditors Convertible Bonds, the Creditors Convertible Bonds will be convertible into 2,000,000,000 New Shares (representing an aggregate nominal value of HK\$20 million), representing (i) approximately 90.4% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 903.9% of the issued share capital of the Company upon completion of the Capital Reorganisation; (iii) approximately 13.1% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares; (iv) approximately 7.9% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of the Investor Convertible Bonds only; (v) approximately 11.6% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of Offer Shares and the full conversion of the Creditors Convertible Bonds only; and (vi) approximately 7.3% of the issued share capital of the Company upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and full conversion of both of Investor Convertible Bonds and Creditors Convertible Bonds.

### **Reasons for the Creditors Subscription Agreement**

Pursuant to the Restructuring Agreement, the Company will implement 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 settlement of all Claims against the Company and is of the view that the terms of the 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.



## EFFECTS ON SHAREHOLDING STRUCTURE

Assuming the Capital Reorganisation having been effective, the shareholding structures of the Company immediately before and after Closing are set out below:

### Scenario #1: Assume all Shareholders take up their respective entitlements

Shareholders	As at the date of this announcement		Immediately following the completion of Capital Reorganisation		Immediately following the completion of Capital Reorganisation and Open Offer		Immediately following the completion of Capital Reorganisation, Open Offer and fully conversion of Investor Convertible Bonds only (Note 1)		Immediately following the completion of Capital Reorganisation, Open Offer and fully conversion of Creditors Convertible Bonds only		Immediately following the completion of Capital Reorganisation, Open Offer and fully conversion of both Investor Convertible Bonds and Creditors Convertible Bonds (Note 1)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Investor, its beneficial owner and parties acting in concert with any of them	-	0.0%	-	0.0%	-	0.0%	10,000,000,000	39.6%	-	0.0%	10,000,000,000	36.7%
Scheme Creditors and New Profit Stakeholders	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,000,000,000	11.6%	2,000,000,000	7.3%
Mr. Kwok Wing and associates	762,424,000	34.5%	76,242,400	34.5%	5,245,477,120	34.5%	5,245,477,120	20.8%	5,245,477,120	30.5%	5,245,477,120	19.3%
Public Shareholders	1,450,182,800	65.5%	145,018,280	65.5%	9,977,257,664	65.5%	9,977,257,664	39.6%	9,977,257,664	57.9%	9,977,257,664	36.7%
Total	<u>2,212,606,800</u>	<u>100.0%</u>	<u>221,260,680</u>	<u>100.0%</u>	<u>15,222,734,784</u>	<u>100.0%</u>	<u>25,222,734,784</u>	<u>100.0%</u>	<u>17,222,734,784</u>	<u>100.0%</u>	<u>27,222,734,784</u>	<u>100.0%</u>

#### Notes:

- The above calculation illustrates the effect on the shareholding structures of the Company upon the Investor Convertible Bonds being converted in full immediately after the Open Offer. As at the date of this announcement, the Investor has no intention to exercise its rights to convert the Investor Convertible Bonds upon Closing, and the Investor will comply with the relevant requirements under the Listing Rules and the Takeovers Code upon full or partial conversion of the Investor Convertible Bonds;

Scenario #2: Assume no Shareholder takes up their respective entitlements under the Open Offer and the Investor, its ultimate beneficial owner and parties acting in concert with any of them, as underwriter, take up all the Offer Shares

Shareholders	As at the date of this announcement	%	No. of Shares	Immediately following the completion of Capital Reorganisation and Open Offer	%	No. of Shares	Immediately following the completion of Capital Reorganisation, Open Offer and first placing down (Note 2)	%	No. of Shares	Immediately following the completion of Capital Reorganisation, Open Offer, first placing down, fully conversion of Investor Convertible Bonds only and second placing down (Note 2)	%	No. of Shares	Immediately following the completion of Capital Reorganisation, Open Offer, first placing down and fully conversion of both Investor Convertible Bonds and Creditors Convertible Bonds and second placing down (Note 2)	%	No. of Shares					
The Investor, its ultimate beneficial owner, and parties acting in concert with any of them	-	0.0%	-	0.0%	15,001,474,104	98.5%	11,417,051,088	75.0%	21,417,051,088	84.9%	-	18,917,051,088	75.0%	11,417,051,088	66.3%	21,417,051,088	78.7%	21,417,051,088	75.0%	
Scheme Creditors and New Profit Stakeholders	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	0.0%	11.6%	2,000,000,000	7.3%	2,000,000,000	7.3%	2,000,000,000	7.3%
Mr. Kwok Wing and associates	762,424,000	34.5%	76,242,400	34.5%	76,242,400	0.5%	76,242,400	0.5%	76,242,400	0.3%	76,242,400	0.3%	76,242,400	0.4%	76,242,400	0.3%	76,242,400	0.3%	76,242,400	0.3%
Public Shareholders	1,450,182,800	65.5%	145,018,280	65.5%	145,018,280	1.0%	3,729,441,296	24.5%	3,729,441,296	14.8%	6,229,441,296	24.7%	3,729,441,296	21.7%	3,729,441,296	13.7%	4,729,441,296	17.4%	4,729,441,296	17.4%
Total	2,212,606,800	100.0%	221,260,680	100.0%	15,222,734,784	100.0%	15,222,734,784	100.0%	25,222,734,784	100.0%	25,222,734,784	100.0%	17,222,734,784	100.0%	27,222,734,784	100.0%	27,222,734,784	100.0%	27,222,734,784	100.0%

*Notes:*

2. Assuming the Investor will place down its Shares to maintain the Company's compliance with the public float requirement under the Listing Rules;
3. The above calculation illustrates the effect on the shareholding structures of the Company upon the Investor Convertible Bonds being converted in full immediately after the Open Offer. As at the date of this announcement, the Investor has no intention to exercise its rights to convert the Investor Convertible Bonds. After Closing, if the Investor converts the Investor Convertible Bonds fully or partially, it will comply with the relevant requirements under the Listing Rules and the Takeovers Code and ensure that the Company will comply with the public float requirement upon its conversion;

3. The above calculation illustrates the effect on the shareholding structures of the Company upon the Investor Convertible Bonds being converted in full immediately after the Open Offer. As at the date of this announcement, the Investor has no intention to exercise its rights to convert the Investor Convertible Bonds. After Closing, if the Investor converts the Investor Convertible Bonds fully or partially, it will comply with the relevant requirements under the Listing Rules and the Takeovers Code and ensure that the Company will comply with the public float requirement upon its conversion;

As at the date of this announcement, neither the Board nor the Provisional Liquidators have received any information from any substantial Shareholders of their intention to take up their entitlements under the Open Offer.

## **GENERAL**

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 announcement, the Open Offer is conditional on the approval by the Independent Shareholders by way of poll in the 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 date of this announcement, Mr. Kwok Wing and his associates held 762,424,000 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 EGM.

The Open Offer 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 the Open Offer.

It was disclosed in the 1st Announcement that in respect of the Open Offer and the subscription of the Investor Convertible Bonds by the Investor, in the absence of the Whitewash Waiver, the Investor, its ultimate beneficial owner and parties acting in concert with any of them would be obliged to extend a mandatory general offer to all Shareholders under Rule 26 of the Takeovers Code. The Investor, its beneficial owner and parties acting in concert with any of them will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver Independent Board Committee comprising all the non-executive Directors, namely, Mr. James D. McMullen, 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 the Whitewash Waiver.

Access Capital Limited has been appointed by the Open Offer Independent Board Committee and the Whitewash Waiver Independent Board Committee to advise the Open Offer Independent Board Committee and the Whitewash Waiver Independent Board Committee and the Independent Shareholders as to whether the terms of the Investor Subscription Agreement, the Open Offer and the Whitewash Waiver are fair and reasonable and advise on how the Independent Shareholders should vote in respect of these resolutions.

To the best of the knowledge, information and belief of the Provisional Liquidators and the Board, none of the Shareholders including Mr. Kwok Wing and his associates, has direct or indirect interest (otherwise than solely as a Shareholder) nor any involvement in the Open Offer, the Investor Subscription Agreement and the Whitewash Waiver and therefore is not permitted to vote in respect of the resolution to approve the Whitewash Waiver in the EGM.

As announced in the 1st Announcement, the Circular, including, among other things, details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Convertible Bonds; (iv) the Whitewash Waiver; (v) the recommendations of the Independent Board Committees; and (vi) a letter of advice from the independent financial advisors to the Independent Board Committees and the Independent Shareholders in relation to the Open Offer, the Investor Subscription Agreement and the Whitewash Waiver will be despatched as soon as practicable.

As additional time is required to prepare the information for inclusion in the Circular, it is currently expected that the Circular can only be despatched on or before 9 August 2010. Application has been made and the Executive has granted consent for an extension of time for the despatch of the Circular to on or before 31 August 2010.

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.

## **CONTINUED SUSPENSION OF TRADING IN THE SHARES**

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

**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. 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 announcement does not indicate that the trading in the Shares will be resumed and that the listing approval for the New Shares, the Offer Shares and the Conversion Shares will be granted.**

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings as set out below unless the context requires otherwise:

“1st Announcement”	the announcement of the Company dated 7 June 2010 in relation to the entering into the Restructuring Agreement and the application of the Whitewash Waiver
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Listing Rules

“Authorised Share Capital Increase”	the increase of the authorised share capital of the Company from HK\$2,212,606.80 to HK\$500,000,000 by the creation of additional 49,778,739,320 New Shares at par value of HK\$0.01 each following completion of the Capital Reduction, Capital Cancellation and Share Consolidation
“Board”	the board of Directors
“business day(s)”	any day other than Saturday, Sunday or any other day on which banks in Hong Kong are required or permitted to close
“Capital Cancellation”	the proposed cancellation of the unissued share capital of the Company in its entirety upon the Capital Reduction becoming effective, resulting in the authorized and issued share capital of the Company becoming HK\$2,212,606.80
“Capital Reduction”	the proposed reduction of the nominal value of each Share from HK\$0.10 to HK\$0.001
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company including Capital Reduction, Capital Cancellation, Share Consolidation and Authorised Share Capital Increase
“Cayman Companies Law”	the Companies Law (2009 Revision) of the Cayman Islands as amended from time to time
“Cayman Islands Court”	the Grand Court of the Cayman Islands
“Cayman Scheme”	the proposed 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
“Circular”	the circular to be despatched by the Company to the Shareholders which will include details of, among other things, (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Convertible Bonds; (iv) the Whitewash Waiver; (v) the recommendations of the Open Offer Independent Board Committee and the Whitewash Waiver Independent Board Committee; (vi) a letter of advise from the independent financial advisor to the Open Offer Independent Board

Committee and Whitewash Waiver Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Investor Subscription Agreement and the Whitewash Waiver as soon as practicable

“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 and the Cayman Companies Law
“Closing”	the completion of all the transactions 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)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.01 per Conversion Share
“Conversion Share(s)”	New Share(s) to be issued to (i) the Investor upon conversion of the Investor Convertible Bonds; and (ii) the Scheme Creditors or the New Profit Stakeholders upon conversion of the Creditors Convertible Bonds as the case may be
“Convertible Bonds”	collectively, the Creditors Convertible Bonds and Investor Convertible Bonds
“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 New Shares at the option of the holders at the Conversion Price of HK\$0.01 per share
“Creditors Subscription Agreement”	the subscription agreement dated 6 July 2010 entered into by New Profit, Key Winner, the Company and the Provisional Liquidators setting out the terms and conditions of the Creditors Convertible Bonds
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to approve the transactions contemplated in the Restructuring Agreement, the Investor Subscription Agreement, the Creditors Subscription Agreement and the Whitewash Waiver
“Escrow Agent”	FS Asia Advisory Limited (formerly known as Ferrier Hodgson Limited), a company incorporated in Hong Kong with limited liability
“Excluded Shareholders”	the Shareholders, whose addresses as shown on the register of members of the Company on the 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 Directors are of the opinion that it is necessary or expedient to exclude such Shareholders 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 dated 12 January 2009 made 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
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong, or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“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 the Hong Kong Special Administrative Region
“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
“Independent Board Committees”	the Open Offer Independent Board Committee and the Whitewash Waiver Independent Board Committee
“Independent Shareholders”	the independent Shareholders, i) who are not the Investor, its ultimate beneficial owner and parties acting in concert with any of them, and/or not involved in or interested in (otherwise than solely as a Shareholder) the proposed Open Offer, Investor Subscription Agreement and the Whitewash Waiver and therefore permitted to vote in respect of the resolution to approve the Whitewash Waiver in the 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 EGM
“Investor”	Radford Developments Limited, a company incorporated in the British Virgin Islands 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 New Shares at the option of the holders at the Conversion Price of HK\$0.01 per share
“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
“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”	24 November 2010, being the last date for acceptance of and payment for the Offer Shares
“Latest Time for Termination”	29 November 2010, being the latest time for the underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Memorandum and Articles of Association”	the memorandum and articles of association of the Company
“New Profit”	New Profit Holdings Limited (In Creditors’ Voluntary Liquidation), a company incorporated in Hong Kong and a former indirect non-wholly owned subsidiary of the Company which has been voluntarily wound up in May 2010
“New Profit Stakeholders”	Swimwear, CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited) and Noble Group Investment Limited and any other person that may be identified during the restructuring process
“New Shares(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Offer Share(s)”	New Shares to be allotted and issued under the Open Offer, being 15,001,474,104 New Shares
“Open Offer”	the proposed issue of the Offer Shares on the basis of 339 Offer Shares for every 5 New Shares held by the Qualifying Shareholders on the Record Date on the terms to be set out in the Prospectus Documents and summarised herein
“Open Offer Independent Board Committee”	the independent board committee of the Board established which comprises of all the independent non-executive Directors, who have no direct or indirect interest in the Open Offer for advising the Independent Shareholders in relation to the Open Offer
“Overseas Shareholders”	the Shareholders with registered address on the register of members of the Company outside Hong Kong at the close of business on the Record Date
“Posting Date”	9 November 2010, the expected date for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China which, for the purpose of this announcement 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 12 November 2008 in Hong Kong pursuant to Section 265 of the Companies Ordinance

“Prospectus”	the prospectus under 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 FS Asia Advisory Limited (formerly known as Ferrier Hodgson Limited)
“Qualifying Shareholder(s)”	the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	8 November 2010, the date by reference to which entitlements to the Open Offer will be determined
“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
“Resumption Conditions”	The conditions set out in the Stock Exchange’s letter to the Company dated 9 April 2010 for the resumption of trading in the Shares
“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
“Share Consolidation”	the proposed consolidation of every ten (10) issued shares of the company of HK\$0.001 each into one (1) consolidated New Share of HK\$0.01 each immediately upon the Capital Reduction becoming effective
“Share(s)”	ordinary share(s) of the Company from time to time
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.01 per Offer Share

“Suspension”	the suspension of trading in the Shares since 30 July 2008
“Swimwear”	Tack Fat Swimwear Manufacturing Limited (In Liquidation), a former indirectly wholly-owned subsidiary of the Company
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement to be entered into between the Company and an underwriter, who may be the Investor itself or a party acting in concert with it, pursuant to which the underwriter will fully underwrite the Offer Shares not accepted by Shareholders under the Open Offer
“Whitewash Waiver”	a waiver of the obligation of the Investor, its ultimate beneficial owner and parties acting in concert with any of them to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by them which may arise as a result of the transactions contemplated under the Restructuring Agreement, the Underwriting Agreement and the Investor Subscription Agreement
“Whitewash Waiver Independent Board Committee”	the independent board committee of the Board established which comprises of all the non-executive Directors, who have no direct or indirect interest in the Open Offer and the Investor Subscription Agreement for advising the Independent Shareholders in relation to the Whitewash Waiver
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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, 23 July 2010

*As at the date of this announcement, the Board 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.*

*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.*