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TACK FIORI INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 928)

PROPOSED CAPITAL REORGANISATION AND PROPOSED CHANGE IN BOARD LOT SIZE

CAPITAL REORGANISATION

The Directors propose to put forward to the Shareholders the proposal for the Capital Reorganisation which will involve:

- (i) the Share Consolidation, whereby every five (5) issued and unissued Shares of HK\$0.10 each in the existing share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.50 each;
- (ii) the Capital Reduction, whereby the paid-up capital of the Consolidated Shares will be cancelled to the extent of HK\$0.49 per Consolidated Share so as to form a New Share of HK\$0.01;
- (iii) the Transfer, whereby the entire amount of the credit arising from the Capital Reduction will be transferred to a distributable reserve account of the Company which may be utilised by the Directors in accordance with the articles of association of the Company or any applicable laws; and
- (iv) the Share Subdivision, whereby the authorised but unissued Consolidated Shares of HK\$0.50 each will be subdivided into fifty (50) New Shares of HK\$0.01 each.

CHANGE IN BOARD LOT SIZE

The Directors also propose that upon the Capital Reorganisation becoming effective, the board lot size for trading in the shares of the Company will be changed from 20,000 Shares to 8,000 New Shares.

GENERAL

The Capital Reorganisation is conditional upon, among other things, the approval of the Capital Reorganisation by the Shareholders at the EGM by way of poll and approval of the Capital Reduction by the Court. As none of the Shareholders or their associates (as defined in the Listing Rules) would have any material interest in the Capital Reorganisation which is different from that of the other Shareholders, no Shareholder would be required to abstain from voting at the EGM.

A circular containing, among other things, details of the Capital Reorganisation and a notice of the EGM will be despatched to the Shareholders as soon as practicable.

WARNING

Shareholders and potential investors should be aware and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

THE CAPITAL REORGANISATION

The Directors propose to put forward to the Shareholders the proposal for the Capital Reorganisation which will involve:

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- (ii) the Capital Reduction, whereby the paid-up capital of the Consolidated Shares will be cancelled to the extent of HK\$0.49 per Consolidated Share so as to form a New Share of HK\$0.01;
- (iii) the Transfer, whereby the entire credit arising from the Capital Reduction will be transferred to a distributable reserve account of the Company which may be utilised by the Directors in accordance with the articles of association of the Company or any applicable laws; and
- (iv) the Share Subdivision, whereby the authorised but unissued Consolidated Shares of HK\$0.50 each will be subdivided into fifty (50) New Shares of HK\$0.01 each.

Conditions

The Capital Reorganisation (which will be effected in accordance with the memorandum and articles of association of the Company and the Companies Law) is conditional upon:

- (i) the passing of ordinary resolutions to approve the Share Consolidation and the Share Subdivision and passing of a special resolution to approve the Capital Reduction and the Transfer by the Shareholders at the EGM;
- (ii) sanctioning of the Capital Reduction by the Court;
- (iii) compliance with any conditions imposed by the Court;
- (iv) the registration of the Court's order confirming the Capital Reduction and minute approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction with the Registrar of Companies of the Cayman Islands; and
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be in issue upon the Capital Reorganisation becoming effective.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares to be in issue upon the Capital Reorganisation becoming effective. 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.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$500,000,000 divided into 5,000,000,000 Shares, of which 3,182,012,405 Shares are issued and credited as fully paid. Upon the Capital Reorganisation becoming effective and assuming no further Shares will be issued or repurchased between the date of this announcement and the effective date of the Capital Reorganisation, the issued share capital shall be HK\$6,364,024.81 divided into 636,402,481 New Shares. The entire amount of credit of approximately HK\$311.8 million arising out of the Capital Reduction will be transferred to a distributable reserve account of the Company which may be utilised by the Directors in accordance with the articles of association of the Company and any applicable laws.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, liabilities, business, operations, management or financial position of the Company and the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

The New Shares will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Capital Reorganisation will reduce the total number of Shares currently in issue and is expected to bring about a corresponding upward adjustment in the trading price of the New Shares on the Stock Exchange, which will reduce the overall transaction costs for dealings in the New Shares. Trading of the Shares has been suspended for over two years until 9 August 2011 following the successful implementation of a resumption proposal involving, among other things, the issue of convertible bonds, an open offer of new Shares and a 10-for-1 share consolidation. After the resumption in trading of the Shares, the Company continued its principal activities of retail business and conducted a placing of new Shares to raise working capital for its retail business in December 2011. As disclosed in the circular of the Company dated 28 June 2011 in relation to the resumption proposal, the Group has decided to increase its investment in developing self-operating stores and to seek regional agents to assist in developing new authorised retailers. In order to realise the aforesaid development plan, substantial working capital will be needed. Although the Group currently has sufficient working capital to meet its present needs and to fund the expansion plan, the Board considers it appropriate to implement the Capital Reorganisation which will provide the Company with greater flexibility in conducting fund raising activities if such need arises in the future. In addition, the closing price of the Shares is HK\$0.078 as at the date of this announcement which is under the current par value of the Shares of HK\$0.10. In view of the fact that the Company is not allowed to issue new Shares at a price below its par value, the Capital Reorganisation is in the view of the Directors appropriate to facilitate possible equity fund arising activities and accommodate the effect of fluctuations in the Share price in the current volatile market conditions on possible equity fund raising activities. The credit arising from the Capital Reduction will be transferred to a distributable reserve account of the Company which may be utilised by the Directors in accordance with the Company's articles of association and applicable laws. The Company however has no intention to conduct any fund raising activities or declare any distributions at present.

The Directors are of the view that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGE IN BOARD LOT SIZE

The Shares are currently trading in board lot size of 20,000 Shares. The Directors also propose that upon the Capital Reorganisation becoming effective, the board lot size of the New Shares for trading on the Stock Exchange will be changed to 8,000 New Shares. Based on the closing price of HK\$0.078 per Share as quoted on the Stock Exchange as at the date of the announcement, assuming the Capital Reorganisation becomes effective, the estimated market value per board lot of the New Shares will be HK\$3,120.

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares, the Company will procure a designated broker to arrange for the matching of the sales and purchases of odd lots of the New Shares. Details of the odd lot arrangements will be provided in the circular to be despatched to the Shareholders.

OTHER ARRANGEMENTS

Fractional entitlements

Fractional New Shares to which individual Shareholder is entitled will not be issued by the Company. Any such fractional entitlements to the New Shares will be aggregated, sold and retained for the benefit of the Company.

CCASS eligibility

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 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 in the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of certificates for the New Shares and trading arrangements

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during the period to be specified in a further announcement to be made by the Company, submit their existing certificates for the Shares (in yellow colour) held by them to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange for new certificates for the New Share at the expense of the Company. Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate for the New Share issued or each share certificate for the Shares submitted for cancellation, whichever the number of certificates involved is higher.

Certificates for the Shares will continue to be good evidence of legal title on the basis of every five Shares for one New Share and may be exchanged for certificates of the New Shares at any time. Nevertheless, they will not be acceptable for trading, settlement and registration purpose after the Capital Reorganisation becomes effective (except in a temporary counter after the commencement of dealings in the New Shares until parallel trading ends as detailed in the section headed "Expected timetable" below).

Adjustments to share options

As at the date of this announcement, there are 300,000,000 outstanding share options granted by the Company pursuant to the Option Deeds entitling the holders thereof to subscribe for a total of 300,000,000 Shares at the exercise price of HK\$0.10 per Share.

The Capital Reorganisation may cause adjustments to the exercise price and/or the aggregate number of New Shares which may fall to be issued upon exercise of the share options. The Company shall determine the necessary adjustment(s) in accordance with the Option Deeds and inform the holders of the share options accordingly if the Capital Reorganisation becomes effective.

Save for the above, the Company has no outstanding warrants or other securities convertible into or giving rights to subscribe for the Shares as at the date of this announcement.

CAPITAL STRUCTURE

The effect of the Capital Reorganisation on the share capital of the Company (assuming no further Shares will be issued or repurchased between the date of this announcement and the effective date of the Capital Reorganisation) is summarised as follows:

	Before the Capital Reorganisation	Immediately upon the Capital Reorganisation becomes effective
Nominal value per share	HK\$0.10 per Share	HK\$0.01 per New Share
Number of authorised shares	5,000,000,000 Shares	50,000,000,000 New Shares
Authorised share capital	HK\$500,000,000	HK\$500,000,000
Number of shares in issue	3,182,012,405 Shares	636,402,481 New Shares
Issued and fully paid-up capital	HK\$318,201,240.50	HK\$6,364,024.81

EXPECTED TIMETABLE

Subject to the above conditions being fulfilled, the Capital Reorganisation will become effective after the Court's approval and registration of the order of the Court confirming the Capital Reduction and the minutes approved by the Court at the Registrar of Companies in Cayman Islands, which is expected to take approximately three months from the date of EGM.

The indicative timetable for the Capital Reorganisation is set out below:

2012

Despatch of circular and proxy form for the EGM Friday, 27 April

Latest time for lodging form of proxy for the EGM

(not less than 48 hours prior to the time of the EGM) 4:00 p.m. on Sunday, 20 May

Expected date and time of the EGM. 4:00 p.m. on Tuesday, 22 May

Announcement of the result of the EGM. Tuesday, 22 May

The following events are conditional on the results of the EGM and relevant Court hearings and are therefore tentative:

2012

Announcement of expected effective date of
the Capital Reorganisation Wednesday, 22 August

Proposed effective date of the Capital Reorganisation Thursday, 23 August

Commencement of dealings in New Shares 9:00 a.m. on Thursday, 23 August

Original counter for trading in the Shares in board
lot of 20,000 Shares (in the form of existing
share certificate) temporarily closes. Thursday, 23 August

Temporary counter for trading in the New Shares
in board lot of 4,000 New Shares (in the form of
existing share certificates) opens. 9:00 a.m. on Thursday, 23 August

First day of free exchange of existing certificates
for the Shares for new certificates for the New Shares Thursday, 23 August

Original counter for trading in the New Shares in
board lot of 8,000 New Shares (in the form of
new certificates for the New Shares) re-opens. 9:00 a.m. on Thursday, 6 September

Parallel trading in the New Shares in the form of
new certificates for the New Shares and existing
certificates for the Shares commences 9:00 a.m. on Thursday, 6 September

Designated broker starts to stand in the market to
provide matching services for odd lots of
the New Shares Thursday, 6 September

Parallel trading in the New Shares in the form of
new certificates for the New Shares and
existing certificates for the Shares ends 4:00 p.m. on
Wednesday, 26 September

Temporary counter for trading in the New Shares
in board lot of 4,000 New Shares
(in the form of existing share certificates) closes. 4:00 p.m. on
Wednesday, 26 September

Designated broker ceases to stand in the market
to provide matching services for odd lots of
the New Shares Wednesday, 26 September

Last day of free exchange of existing certificates
for the Shares for new certificates for
the New Shares Friday, 28 September

All the times and dates above refer to Hong Kong local times and dates. Any changes to the above expected timetable will be published or notified to the Shareholders as and when appropriate.

GENERAL

The Capital Reorganisation is conditional upon, among other things, the approval of the relevant resolutions by the Shareholders on a vote taken by way of poll at the EGM. As none of the Shareholders or their associates (as defined in the Listing Rules) would have any material interest in the Capital Reorganisation which is different from that of other Shareholders, no Shareholder would be required to abstain from voting at the EGM.

A circular containing, amongst other things, details of the Capital Reorganisation and a notice of the EGM will be despatched to the Shareholders as soon as practicable.

WARNING

Shareholders and potential investors should be aware and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

TERMS AND DEFINITIONS

“Board”	the board of the Directors
“Capital Reduction”	the proposed cancellation of the paid-up capital to the extent of HK\$0.49 on each of the Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.50 to HK\$0.01
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving (i) the Share Consolidation; (ii) the Capital Reduction; (iii) the Transfer; and (iv) the Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Tack Fiori International Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on Main Board of the Stock Exchange (Stock code: 928)

“Consolidated Share(s)”	share(s) of HK\$0.50 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Share Subdivision
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Capital Reorganisation
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of the HK\$0.01 each in share capital of the Company upon the Capital Reorganisation becoming effective
“Option Deeds”	the option deeds dated 6 October 2011 entered into between the Company and each of the eight grantees (as amended by the supplemental deeds between the same parties dated 22 December 2011) in relation to the grant of share options by the Company to such grantees
“Share(s)”	ordinary share(s) of HK\$0.10 each in the existing share capital of the Company prior to the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every five (5) Shares into one (1) Consolidated Share of par value of HK\$0.50 each
“Share Subdivision”	the proposed subdivision of every authorised but unissued Consolidated Share of par value of HK\$0.50 into fifty (50) New Shares of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s) or the New Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transfer” the transfer of the entire amount of the credit arising out of the Capital Reduction to a distributable reserve account of the Company

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
Tack Fiori International Group Limited
LIU ON BONG, PETER
Vice Chairman

Hong Kong, 11 April 2012

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Chiu Siu Po (*Chairman*)
Mr. Liu On Bong, Peter (*Vice Chairman*)
Mr. Chan Chak Kai, Kenneth
Mr. Wan Wai Hei, Wesley
Mr. Au Wai June

Independent non-executive Directors:

Dr. Leung Shiu Ki, Albert
Mr. Robert James Iaia II
Ms. Lam Yan Fong, Flora
Mr. Yau Yan Ming, Raymond
Mr. Miu H., Frank