

EXCLUSIVITY AND ESCROW AGREEMENT

RADFORD DEVELOPMENTS LIMITED

**TACK FAT GROUP INTERNATIONAL LIMITED (PROVISIONAL LIQUIDATORS
APPOINTED)**

and

FERRIER HODGSON LIMITED

12 January 2009

This Agreement is made on 12 January 2009

Parties

- A. Radford Developments Limited, a company incorporated in the British Virgin Islands and whose registered office is Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands. ("**Investor**");
- B. Roderick John Sutton and Fok Hei Yu in their capacity as Joint and Several Provisional Liquidators ("**Provisional Liquidators**") of Tack Fat Group International Limited, a company incorporated in the Cayman Islands whose registered office is situated at Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman ("**Company**"); and
- C. Ferrier Hodgson Limited of 14/F Hong Kong Club Building, 3A Chater Road, Central, Hong Kong ("**Escrow Agent**").

Background

- 1. The Investor has submitted a proposal for the restructuring of the Company and certain subsidiaries and its associated companies ("**Group**") to the Provisional Liquidators ("**Restructuring Proposal**"). The principal draft terms of the Restructuring Proposal are set out in a memorandum that appears as Schedule 1 to this agreement and is provided for information purposes only.
- 2. The Provisional Liquidators have not formally accepted the Restructuring Proposal but consider that the Restructuring Proposal is their preferred proposal and have agreed to grant the Investor exclusivity, on the terms set out in this Agreement, while they and their advisers negotiate in good faith a legally binding agreement for the implementation of the Restructuring Proposal ("**Restructuring Agreement**") with the Investor and its advisers (a preliminary draft of which will be delivered to the Investor by the Provisional Liquidators as soon as practicable and in any event within 10 calendar days after the Effective Date, as defined below).
- 3. The Investor acknowledges and agrees that the Provisional Liquidators may initiate or continue negotiations in respect only of the sale or restructuring of the Company's subsidiaries and associated companies which do not form part of its Restructuring Proposal (**Non – Core Subsidiaries**).

Conditions Precedent

- 4. Save for Clauses 16, 17, 18 and 19 which shall be effective on the signing of this agreement, this agreement shall be effective only on and from the date ("**Effective Date**") on which the Provisional Liquidators have received confirmation from the Escrow Agent of the receipt by it (in cleared funds) of the First Tranche of the Working Capital Loan referred to in paragraph 7.



Exclusivity

5. From the Effective Date until the date on which this agreement terminates in accordance with paragraph 16 of this agreement ("**Termination Date**"), the Provisional Liquidators will not negotiate, enter into or continue any binding commitment (whether on a conditional or unconditional basis) with any other party for the restructuring of the outstanding indebtedness and/or share capital and/or assets of any member of the Group ("**Exclusivity Period**"), save for those solely in respect of the Non-Core Subsidiaries.

Alternative Structures

6. In the event that any of the structures or transactions proposed in the Restructuring Proposal are found to be legally or practically unworkable, the Provisional Liquidators and the Investor undertake to work in good faith to find alternative means or structures to effect the Restructuring Proposal so that the parties may obtain the benefits described in the Restructuring Proposal, subject to any concluded agreements in respect of the Non-Core Subsidiaries.

Working Capital Loan

7. The Investor will pay the sum of HK\$10,000,000.00 to the Escrow Agent as a loan to the Company to enable the Group to meet its working capital requirements during the Exclusivity Period ("**Working Capital Loan**"), such payment to be made in two tranches. The first tranche will be in the sum of HK\$3,000,000.00 ("**First Tranche**") and the second in the sum of HK\$7,000,000.00 ("**Second Tranche**").
8. The Investor will pay the Working Capital Loan by either telegraphic transfer into the Escrow Agent's client account or delivery of a banker's draft payable to the Escrow Agent in the amount of the First Tranche or Second Tranche (as the case may be).
9. The Escrow Agent will release upon request by the Provisional Liquidators such amounts of the Working Capital Loan as the Provisional Liquidators consider, in their absolute discretion, are required by the Group, provided that the Provisional Liquidators may not use the Working Capital Loan for any Non-Core Subsidiaries.
10. In the event that no Restructuring Agreement is reached or the Company goes into liquidation, the Investor and the Provisional Liquidators agree that the Working Capital Loan will rank pari passu with all of the Company's existing debts and liabilities as at the date of this agreement ("**Existing Debts**") in all respects.

Upon the completion of the Restructuring Agreement, the Working Capital Loan shall not be transferred or dealt with under any Scheme or Schemes of Arrangement used to implement the Restructuring Proposal or Restructuring Agreement and will remain as a debt owed by the Company to the Investor who will have an option to convert the principal amount of the Working Capital Loan into ordinary shares of the Company.



Fee Contribution

11. The Investor will pay the total sum of HK\$6,400,000.00 to the Escrow Agent as an initial contribution toward the Provisional Liquidators' and their advisers' costs and expenses incurred in relation to the implementation of the Restructuring Proposal ("**Fee Contribution**").
12. The Investor will pay the Fee Contribution by either telegraphic transfer into the Escrow Agent's client account or delivery of a banker's draft payable to the Escrow Agent in the amount of HK\$6,400,000.00.
13. The Escrow Agent will release upon request by the Provisional Liquidators such amounts of the Fee Contribution as required to pay such costs and expenses the Provisional Liquidators have incurred in relation to implementation of the Restructuring Proposal (including the Provisional Liquidators' own costs).
14. On the Termination Date (as defined below), other than the date on which a Restructuring Agreement is entered into by the Investor (or its nominee) and the Provisional Liquidators, the Provisional Liquidators will instruct the Escrow Agent to pay the balance of the Fee Contribution (if any) to the Company to form part of the assets available for the distribution to the Company's creditors.
15. The Investor acknowledges and agrees that the Fee Contribution is not refundable in any circumstance.

Termination

16. This agreement shall terminate and be of no further effect if the Effective Date has not occurred by 12 January 2009, or following the Effective Date on the occurrence of the earliest of:
 - (a) if the Investor has failed to pay the Second Tranche of the Working Capital Loan (as referred to in paragraph 7) and the Fee Contribution by midnight, 22 January 2009;
 - (b) the date on which the Investor (or its nominee) and the Provisional Liquidators enter into a Restructuring Agreement;
 - (c) the date on which the Investor and the Provisional Liquidators agree in writing that this agreement is terminated; or
 - (d) the date falling six months after the Effective Date;

unless extended by mutual agreement between the Investor and the Provisional Liquidators .



Confidentiality

17. No party shall reveal or otherwise announce the Restructuring Proposal or the negotiations or discussions taking place between the parties, or the status thereof, except as required by law, or otherwise with the consent of the other parties to this agreement.

Provisional Liquidators' Capacity

18. The Provisional Liquidators act as agents of the Company without personal liability for all purposes. The Company is responsible and liable for the Provisional Liquidators' contracts, acts, omissions, defaults and losses and for all liabilities incurred by them. The Provisional Liquidators have signed this agreement solely for the purpose of obtaining the benefit of any covenants in their favour and without personal liability.

Governing Law

19. This agreement is governed by and shall be construed in accordance with the laws of Hong Kong.

For and on behalf of

TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)

By: 

FOK HEI YU
in his capacity as joint and several liquidator
and without personal liability

For and on behalf of

RADFORD DEVELOPMENTS LIMITED

By: 

Chuang Eugene Yue-chien
Authorized Signatory

For and on behalf of

FERRIER HODGSON LIMITED
in its capacity as Escrow Agent

By: 

FOK HEI YU
Authorized Signatory

Subject to Contract

Strictly Private & Confidential

Restructuring Proposal

for

**Tack Fat Group International Limited
(provisional liquidators appointed)
(Stock Code:928)**

2 December 2008

Subject to Contract

2 December 2008

INTRODUCTION

We, Radford Developments Limited, hereby present to you, the provisional liquidators (the "Provisional Liquidators") of Tack Fat Group International Limited (provisional liquidators appointed) (the "Company" and together with its subsidiaries, the "Group"), a proposal (the "Restructuring Proposal") which contains indicative terms for the restructuring of the Company in light of its current financial difficulties.

The Restructuring Proposal is subject to contract and our offer shall lapse if no written acceptance is received by us before 5:00 p.m. on 9 December 2008.

Should you have any question in relation to the Restructuring Proposal, please feel free to contact the undersigned on 3198 0203.

We look forward to your favourable reply.

Yours faithfully,
For and on behalf of
Radford Developments Limited



Chuang Eugene Yue-chien

BACKGROUND OF THE INVESTOR

Radford Developments Limited (the "Investor") is 100% beneficially owned by Moon Light Trust. The Investor and its associates and parties acting in concert with any of them are not connected persons of the Company as defined under The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and have not brought any shares in the Company within the 6 months period prior to the date of this proposal.

KEY TERMS OF THE RESTRUCTURING PROPOSAL

1. Capital Restructuring and Rights Issue for New Shares

As part of the restructuring proposal for the Company (the "Resumption Proposal"), the Company will undergo a capital reduction by reducing its existing paid up capital from HK\$200 million to HK\$2 million (the "Capital Reduction"). Upon the completion of the Resumption Proposal (the "Completion"), the Company will raise new capital for new shares (the "New Shares") by way of a rights issue to raise a total of HK\$150 million and the Investor will underwrite the entire issue (the "Rights Issue"). For the avoidance of doubt, the Resumption Proposal entails the continuation by the Company of its operating subsidiary New Profit Holdings Limited ("New Profit"), being its retail business in the PRC.

2. Subscription of Convertible Bonds

As part of the Resumption Proposal too, the Investor will subscribe for convertible bonds (the "Convertible Bonds") in the amount of HK\$100 million that are convertible into New Shares of the Company at the same price as the Rights Issue, with an interest coupon of 2% per annum and a 3 years tenure (the "Tranche A Convertible Bond").

3. Use of Funds and Settlement with Creditors

HK\$50 million out of the Tranche A Convertible Bond subscription plus a further HK\$20 million issuance of Convertible Bonds by the Company carrying also an interest coupon of 2% per annum yet with a 12 months tenure (the "Tranche B Convertible Bond") shall be split between the creditors of the Company and New Profit in the proportion of 5 to 2 respectively, in turn for a Hong Kong scheme of arrangement for the Company in form and substance reasonably agreed by the Investor.

All other assets apart from those being foreclosed (i.e. the property) would be realized by the provisional liquidators in due course for the benefits of the relevant creditors based on the eventual proof of debts.

4. Restructuring Costs

HK\$16 million (the "Fee") will be provided by the Investor to cover all professional costs and expenses (save for those relating to the advisers of the Investor) incurred for

the implementation of the Restructuring Proposal, with 40% payable on acceptance of this Restructuring Proposal by the Provisional Liquidators, a further 30% upon The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting its in principle acceptance of the resumption proposal and the balance upon Completion.

5. Working Capital and Assistance in the Restructuring

In response to the request made by the Provisional Liquidators to fund the operations of New Profit, the Investor will be responsible for advancing the necessary funds to satisfy the working capital needs for New Profit during the course of the restructuring and to ensure success in gaining approval of the resumption by the Stock Exchange (the "Loan"). It is expected that such Loan shall be no more than HK\$10 million and will be released upon signing of an exclusivity agreement whereupon the Company will indicate its acceptance in principle of the Restructuring Proposal (the "Exclusivity Agreement"). The Fee and the Loan shall be treated as loans to the Company and may, at the election of the Investor, be capitalised in whole or in part as New Shares of the Company at the Rights Issue price.

The Provisional Liquidators will provide the Investor with all the necessary information about New Profit that is available to the Investor from time to time, and will keep the Investor posted of the progress and development of New Profit. The Investor undertakes to offer its best endeavor to assist the Provisional Liquidators in the course of the restructuring of the Group leading to Completion, providing information to the Provisional Liquidators and their advisers to assist them to compose the resumption proposal for the Stock Exchange. Such assistance includes the restoration of Ever Century Holdings Ltd. if requested by the Provisional Liquidators.

6. Exclusivity and Refund

The Exclusivity Agreement will provide a 6-month exclusivity period to the Investor for carrying out all necessary due diligence work in relation to the Group. The Loan shall be placed in escrow with the Provisional Liquidators or some other arrangements acceptable by the parties.

Any unused portion of the Loan held in escrow shall be refunded to the Investor if the parties fail to sign the formal restructuring agreement(s) (the "Formal Agreements") within 6-month of the signing of the Exclusivity Agreement.

CONDITIONS PRECEDENT

Completion will be subject to conditions accustomed to transactions of a similar nature, including but not limited to the followings:

- The Investor will be given an exclusivity period for 6 months to carrying out all necessary due diligence work in relation to the Group;
- The Formal Agreements to be signed by the relevant parties;

- All the necessary approvals including but not limited to the approval of the Company's shareholders having been obtained for the Restructuring Proposal and for all the relevant transactions contemplated thereunder in accordance with the Listing Rules and the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code");
- The Stock Exchange having agreed to grant the resumption of trading in the shares of the Company and the approval by the Listing Committee of the Stock Exchange for the granting of listing and permission to deal in the new shares to be issued under the Restructuring Proposal;
- A waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "SFC") under the Takeovers Code in respect of any obligations on Investor or parties acting in concert with it to make a general offer for any of the securities of the Company after Completion; and
- All necessary waivers, consent and approvals including but not limited to that from the Stock Exchange, the SFC and any other relevant regulatory authorities and relevant parties, which are required for the implementation of the Restructuring Proposal having been obtained.

SHAREHOLDING STRUCTURE

Upon Completion, the shareholding structure of the Company will likely be as follows:

	Existing Shareholding	Upon Completion of Restructuring Proposal *	Upon Full Conversion of all Convertible Bonds *	Upon Completion of the Rights Issue *	
				Assuming all shareholders take up	Assuming no shareholders take up
Existing shareholders	100%	11.11%	1.45%	52.78%	0.70%
Creditors	-	-	14.49%	6.94%	6.94%
Investor	-	88.89%	84.06%	40.28%	92.36%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

* Note: assuming the Fee has been but the Loan has not been capitalized

The Investor will take appropriate steps to place out such number of shares to ensure that an adequate number of shares are held in public hands in compliance with the requirements of the Listing Rules.