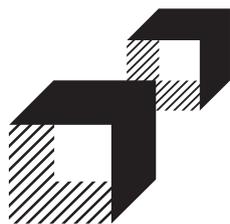


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# **TACK FAT GROUP INTERNATIONAL LIMITED**

## **德發集團國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 928)

### **DISCLOSEABLE TRANSACTION**

On 25 May 2007, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares, subject to the terms and conditions as set out therein, at a consideration of HK\$330 million. The consideration of HK\$330 million is to be satisfied by the Purchaser in cash to the Vendor upon Completion.

The transactions contemplated under the Agreement constitute a discloseable transaction of the Company under the Listing Rules and are required to be disclosed by way of this announcement, and a circular with further details of the transactions will be issued to Shareholders shortly.

#### **AGREEMENT DATED 25 MAY 2007**

##### **Parties:**

- (i) Anway Limited, a wholly-owned subsidiary of the Company, as Purchaser;
- (ii) Xbert Investments Limited, as Vendor; and
- (iii) Mr. Zhang Wen Kai, as Guarantor.

The Vendor is an investment holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Guarantor are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Guarantor is entering into the Agreement to guarantee the performance by the Vendor of its obligations under the Agreement.

**Conditions of the Agreement:**

Completion is conditional upon:

- (i) the warranties, undertakings and representations made by the Vendor remaining true, correct and accurate up to and including the date of the fulfillment of all the other conditions set out in the Agreement;
- (ii) due diligence on each of Best Favour Group companies (including without limitation the state of affairs, assets and liabilities, financial position and business operation of each of the Best Favour Group companies) being satisfactorily completed by the Purchaser and/or its agents and/or professional advisers and there being no matter appearing to the Purchaser from the due diligence which in the sole and absolute opinion of the Purchaser may materially and adversely affect the value of the Sale Shares; and
- (iii) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereby having been obtained.

If any of the above conditions has not been fulfilled and/or waived (as the case may be) on or before 5:00 pm on 15 June 2007 or such later date as the parties may agree in writing, the Agreement shall automatically lapse and terminate and none of the parties to the Agreement shall have any claim and/or recourse against the others save and except any antecedent breach of the terms including but not limited to the warranties set out in the Agreement.

**The Assets to be acquired:**

9 shares of US\$1.00 each of the total issued share capital of Best Favour, representing 90% of the total issued share capital of Best Favour. Best Favour is the sole and beneficial owner of the entire issued share capital of both New Profit and Think Tank. New Profit in turn owns 100% of equity interests in New Profit (Shenzhen) and New Profit (Luo Ding) respectively, while Think Tank is the sole and beneficial owner of the entire issued share capital of XS Image. The remaining 10% of the total issued share capital of Best Favour is owned by Noble Group Investment Limited, a company independent of the Company and its connected persons (as defined in the Listing Rules).

**Information on Best Favour Group:**

The Best Favour Group is principally engaged in the fashion design and management of its XXESS brand of smart casual wear, which is one of the leading apparel brands in the PRC. The target group of customers of Best Favour Group are young and fashion-conscious consumers. Its operations, through a chain of over 200 self-operated and franchised retail apparel stores, have been widely established across the north-eastern region of the PRC covering cities such as Beijing, Shanghai, Tianjin, Dalian and Harbin.

Best Favour Group have a team of dedicated and experienced management who have been focusing on the management of the XXESS brand in terms of design, marketing and promotion in order to build up customer goodwill and brand loyalty. The Best Favour Group employs an experienced design team to bring up impressive image and design to its stores and products.

Turnover of the Best Favour Group is primarily derived from the retailing and distribution of smart casual wear in the PRC. The Best Favour Group is now expanding its business and operations to the southern part of the PRC.

According to the unaudited consolidated accounts of the Best Favour Group prepared in accordance with the accounting principles generally accepted in Hong Kong, the Best Favour Group recorded an unaudited profit before taxation of approximately HK\$24.6 million and unaudited profit after taxation of approximately HK\$21.7 million for the year ended 30 June 2005; and unaudited profit before taxation of approximately HK\$37.3 million and unaudited profit after taxation of approximately HK\$31.7 million for the year ended 30 June 2006.

The unaudited consolidated net assets of the Best Favour Group as at 30 June 2006 was approximately HK\$87.6 million.

**Basis of Consideration:**

The terms of the Agreement were arrived at after arm's length negotiations between the Company and the Vendor based on normal commercial terms. The consideration of HK\$330 million, to be satisfied by the Purchaser in cash to the Vendor upon Completion, was determined with reference to the followings:

- (i) the unaudited consolidated net profit of the Best Favour Group for the year ended 30 June 2005 and 2006 which were approximately HK\$21.7 million and HK\$31.7 million respectively;
- (ii) the unaudited consolidated net assets of the Best Favour Group of approximately HK\$87.6 million as at 30 June 2006; and
- (iii) the valuation of 100% equity interest in Best Favour of HK\$384,000,000, conducted by BMI Appraisals Limited, an independent valuer on 30 April 2007, based on the market approach, which means that the valuer has selected listed companies that had similar business operation and determined their price multiples including "price to sales", "price to earnings" and "price to book value", and then applied those price multiples to the related historical financial data of Best Favour and determined the concluded value of Best Favour.

Taking into account the growth potential of Best Favour Group and the extensive retail network currently in operation, the Directors believe that the consideration, which will be financed by internal resources of the Group, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

**REASONS FOR THE TRANSACTION**

The Group is principally engaged in the design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children on original design manufacturing and original equipment manufacturing basis.

The Board considers that the transaction contemplated under the Agreement will provide the Group with a good opportunity to participate in the PRC consumer retail sector through an investment in a business with a well known apparel brand and an established distribution network currently operated by Best Favour Group.

The transactions contemplated under the Agreement constitute discloseable transaction of the Company under the Listing Rules and are required to be disclosed by way of this announcement, and a circular containing further information of the transactions will be issued to Shareholders shortly.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the conditional agreement dated 25 May 2007 entered into between the Purchaser, the Vendor and the Guarantor relating to the sale by the Vendor to the Purchaser of 90% of the total issued share capital of Best Favour;
“Best Favour”	Best Favour Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 23 February 2007 and holding the entire issued share capital of both New Profit and Think Tank;
“Best Favour Group”	Best Favour together with its subsidiaries, namely, New Profit, New Profit (Shenzhen), New Profit (Luo Ding), Think Tank and XS Image or, where context so requires, in respect of the period before Best Favour became the holding company of its current subsidiaries, such subsidiaries as if they were Best Favour’s subsidiaries at that time
“Board”	the board of directors of the Company;
“Company”	Tak Fat Group International Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Agreement;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Guarantor”	Mr. Zhang Wen Kai, the ultimate beneficial owner of the entire issued share capital of the Vendor and a third party independent of the Company and its connected persons (as defined in the Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK Dollars” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New Profit”	New Profit Holdings Limited, a company incorporated in Hong Kong with limited liability on 22 March 2007 and owned as to 100% by Best Favour and holding 100% of the equity interests of New Profit (Shenzhen) and New Profit (Luo Ding) respectively;

“New Profit (Luo Ding)”	New Profit Garment (Luo Ding) Company Limited, a company established under the laws of the PRC with limited liability on 21 August 2002 and owned as to 100% by New Profit;
“New Profit (Shenzhen)”	New Profit Garment (Shenzhen) Company Limited, a company established under the laws of the PRC with limited liability on 31 August 2005 and owned as to 100% by New Profit;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchaser”	Anway Limited, a wholly-owned subsidiary of the Company incorporated as an international business company with limited liability under the laws of the British Virgin Islands;
“Sale Shares”	9 shares of US\$1.00 each in the issued share capital of Best Favour, representing 90% of the total issued share capital of Best Favour;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Think Tank”	Think Tank Holdings Limited, a company incorporated in the British Virgin Islands on 10 June 2002 and owned as to 100% by Best Favour and holding the entire issued share capital of XS Image;
“Vendor”	Xbert Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a third party independent of the Company and its connected persons (as defined under the Listing Rules);
“XS Image”	XS Image Limited, a company incorporated in the British Virgin Islands with limited liability on 26 April 2002 and owned as to 100% by Think Tank;

By Order of the Board  
**Kwok Wing**  
*Chairman*

Hong Kong, 29 May 2007

*As at the date of this announcement, the executive Directors are Mr. Kwok Wing, Mr. Lee Yuk Man, Mr. Ho Yik Kin, Norman and Mr. Kwok Kam Chuen, and the independent non-executive Directors are Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwo Seng.*

Please also refer to the published version of this announcement in China Daily.